

# **State of Alaska FY2008 Governor's Operating Budget**

## **Department of Revenue Performance Measures**

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## Department of Revenue

### Mission

The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes.

### Core Services

- Coordination, development and promotion of programs for collection and investment of public funds
- Formulation of specific recurring revenue sources
- Provide controls and enforcement for the collection, investment and payment of funds for the following operating divisions:
  - 1) Tax Division
  - 2) Treasury Division
  - 3) Permanent Fund Dividend Division
  - 4) Child Support Services Division
- Provide administrative support for the following independent authorities, boards and corporations:
  - 1) Alaska Retirement Management Board
  - 2) Alaska Mental Health Trust Authority
  - 3) Long Term Care Ombudsman's Office
  - 4) Alaska Municipal Bond Bank Authority
  - 5) Alaska Natural Gas Development Authority
  - 6) Alaska Housing Finance Corporation
  - 7) Alaska Permanent Fund Corporation

| End Results  | Strategies to Achieve Results   |
|--|---|
| <b>A: Maximize compliance with current tax and gaming statutes.</b><br><br><u>Target #1:</u> Percentage of taxes collected compared to taxes due between 92% and 98%.<br><u>Measure #1:</u> Percentage of taxes collected compared to the taxes due.   | <b>A1: Increase tax audit coverage (audit activities improve compliance and revenue).</b><br><br><u>Target #1:</u> Open 20 new audit cases (taxpayers that have not been audited by us in the prior five years).<br><u>Measure #1:</u> Number of new audits opened.<br><br><b>A2: Increase voluntary compliance from identifying non-filers.</b><br><br><u>Target #1:</u> Find 30 non-filers through compliance work.<br><u>Measure #1:</u> Number of non-filers brought into compliance. |
| End Results  | Strategies to Achieve Results   |
| <b>B: Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.</b><br><br><u>Target #1:</u> For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable one-year target returns.<br><u>Measure #1:</u> Actual returns compared with target returns reported by consultant or the custodian bank. | <b>B1: Portfolio Investment Officer staff is continually upgraded in experience and education.</b><br><br><u>Target #1:</u> Increase average longevity of the investment officers to 5 years.<br><u>Measure #1:</u> The average longevity of investment officers. (Include the Chief Investment Officer and the 5 public market and 3 private market staff reporting to the Chief Investment Officer.)  |

|  | <p><u>Target #2:</u> At least 4 investment staff will have their Chartered Financial Analyst (CFA) designation.</p> <p><u>Measure #2:</u> Number of investment staff with Chartered Financial Analyst designation.</p>  |
|--|---|
| End Results  | Strategies to Achieve Results   |
| <p><b>C: Collection and distribution of child support due to the children served by CSSD.</b></p> <p><u>Target #1:</u> Increase collections by 3%, net PFD.</p> <p><u>Measure #1:</u> Percent of change in total collections, net PFD collections.</p>   | <p><b>C1: Improve the environment necessary for increased child support collections.</b></p> <p><u>Target #1:</u> Increase paternities established to 100%.</p> <p><u>Measure #1:</u> Percentage of paternities established.</p> <p><u>Target #2:</u> Increase cases with orders to 93.5%.</p> <p><u>Measure #2:</u> Percentage of cases with orders.</p> <p><u>Target #3:</u> Increase current collections to 55%.</p> <p><u>Measure #3:</u> Percentage of current collections.</p> <p><u>Target #4:</u> Increase number of cases with arrearage collections to 71%.</p> <p><u>Measure #4:</u> Percentage of cases with arrearage collections.</p> <p><u>Target #5:</u> Increase the cost effectiveness ratio to 4.55.</p> <p><u>Measure #5:</u> Cost effectiveness ratio.</p> <p><u>Target #6:</u> Reduce cases with no collections for one year or more to 12% or less of cases eligible for collections.</p> <p><u>Measure #6:</u> Percentage of cases with no collections for one year or more versus total cases eligible for collection.</p> |
| End Results  | Strategies to Achieve Results   |
| <p><b>D: All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend (PFD) in October.</b></p> <p><u>Target #1:</u> 100% of eligible applicants not in appeal are paid in October.</p> <p><u>Measure #1:</u> Percentage of eligible applicants not in appeal who are paid in October.</p> | <p><b>D1: Provide PFD staff with needed training to perform effectively.</b></p> <p><u>Target #1:</u> 100% of new PFD staff receive standardized training within first three months.</p> <p><u>Measure #1:</u> Percentage of new staff that receive standardized training within first three months.</p>  |

### Major Activities to Advance Strategies

- TAX DIVISION: Enforce tax compliance through audit; focus tax examination activity on high risk returns and errors; streamline tax examination process
- TREASURY: Define roles of potential new asset class managers; perform adequate due diligence; automate download of accounting data
- PERMANENT FUND DIVISION: Cross train staff to work in multiple functional areas; allocate staff across unit lines to address peak work load
- CHILD SUPPORT SERVICES: Improve communications, processes and interface with other states; establish and train a special collections unit
- CHILD SUPPORT SERVICES: Establish paternity; inform obligees of accurate amounts due; locate employers and assets of non-custodial parents

### FY2008 Resources Allocated to Achieve Results

**FY2008 Department Budget: \$238,836,000**

**Personnel:**

|              |            |
|--------------|------------|
| Full time    | 872        |
| Part time    | 53         |
| <b>Total</b> | <b>925</b> |

### Performance Measure Detail

#### A: Result - Maximize compliance with current tax and gaming statutes.

**Target #1:** Percentage of taxes collected compared to taxes due between 92% and 98%.

**Measure #1:** Percentage of taxes collected compared to the taxes due.

#### Taxes Collected Compared to Taxes Due

| Fiscal Year | % of Taxes Collected |
|-------------|----------------------|
| FY 2002     | 96.6%                |
| FY 2003     | 98.5%                |
| FY 2004     | 99.7%                |
| FY 2005     | 98.6%                |
| FY 2006     | 96.0%                |
| FY 2007     | Forecast: 96.0%      |

**Analysis of results and challenges:** At the margin, this percentage is driven primarily by the Tax Division's resolution of large and complex oil and gas income and production tax cases. Too high a percentage indicates that the division is not assessing difficult taxpayers or issues where the State is likely to collect less than 100%. Too low a figure indicates that the State is being overly aggressive with taxpayers and then settling too easily. A balanced result indicates a balanced approach. In 2005, the Tax Division collected \$1,522.1 million out of \$1,544.4 million voluntarily reported or assessed by the department.

The Division performed outside of our target range again in 2005. The results reflect increased assessments offset by proportionately larger increases in overall collections resulting from higher oil prices. Rising oil revenue does not fully account for missing the target in 2005. We missed the target using the averages over the last five years as well as applying 2005 assessment collections to average voluntary collections over the past five years.

Current collections on assessments reflect both current and past audit activity. These results are reflective of the historical decline in the Division's audit effort that continued through 2005. Sustained success in this and other enforcement related performance measures can only follow increased enforcement efforts. While a single assessment may temporarily push the Division into our target range we do not foresee sustainable performance within the target range during 2007 or 2008.

## A1: Strategy - Increase tax audit coverage (audit activities improve compliance and revenue).

**Target #1:** Open 20 new audit cases (taxpayers that have not been audited by us in the prior five years).

**Measure #1:** Number of new audits opened.

### Number of New Audit Cases Opened

| Fiscal Year | # of Cases   |
|-------------|--------------|
| FY 2002     | 9            |
| FY 2003     | 13           |
| FY 2004     | 7            |
| FY 2005     | 14           |
| FY 2006     | 5            |
| FY 2007     | Forecast: 20 |

**Analysis of results and challenges:** The Tax Division maintains 100% coverage in oil and gas income and production taxes (and new oil and gas audit subjects are not included in this measure). An audit presence in each of the other tax types improves long-term voluntary compliance as well as generates new audit revenues. Furthermore, once established, audit generated revenues tend to recur as taxpayers modify their reporting to become consistent with the audit findings. Not included in the new audit count are audits of exploration tax credit claims by existing taxpayers. These audits do not meet our definition of "new audits" although they represent new and expanded audit effort by the division. Despite improvement in FY2005, the division failed to reach our goal of twenty new audit cases as a result of continued redirection of audit resources to major revenue and development projects in FY2006. The Tax Division continued to experience high vacancy among the professional audit staff, which resulted in a job classification study in FY2006.

We view twenty new audit subjects annually as an appropriate target and this remains our goal for FY2007.

## A2: Strategy - Increase voluntary compliance from identifying non-filers.

**Target #1:** Find 30 non-filers through compliance work.

**Measure #1:** Number of non-filers brought into compliance.

### New Filers Through Compliance

| Fiscal Year | # of New Filers |
|-------------|-----------------|
| FY 2004     | 38              |
| FY 2005     | 45              |
| FY 2006     | 900*            |
| FY 2007     | Forecast: 300   |

*Internet tobacco tax compliance project yielded 700 new taxpayers in FY2006.*

**Analysis of results and challenges:** The Tax Division encourages voluntary compliance as the most effective tool for collecting tax revenues. An important aspect of voluntary compliance is for taxpayers to believe that they are paying about the same amount in taxes as other similarly situated taxpayers. Seeking out and finding new taxpayers and bringing them into compliance assists revenue both in long-term voluntary compliance as well as bringing in the revenues from the new taxpayers. The division does not believe there are any major oil and gas taxpayers not filing, but we are going after the tax types that constitute the other 20% of its revenue responsibilities. This target and measure does not include federal or multi-state compliance programs in which we currently participate. New tax programs accounted for 16 of the 45 taxpayers brought into compliance during FY2005. In FY2006, an Internet tobacco tax compliance project yielded 700 new taxpayers. We maintain our target of 30 non-filers as an appropriate goal for our mix of maturing and established programs.

## B: Result - Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.

**Target #1:** For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable one-year target returns.

**Measure #1:** Actual returns compared with target returns reported by consultant or the custodian bank.

### One-year Return Data for Funds Managed by the Treasury Division

| Fiscal Year | Fund                             | Actual Return | Target Return |
|-------------|----------------------------------|---------------|---------------|
| FY 2006     | Gen Fund/Other Non-segregated Fu | 2.92%         | 2.38%         |
| FY 2006     | AK Children's Trust Fund         | 3.73%         | 3.51%         |
| FY 2006     | Public School Trust Fund         | 4.11%         | 3.62%         |
| FY 2006     | Int'l Airports Revenue Fund      | 2.19%         | 1.50%         |
| FY 2006     | Const Budg Resv Fund-Main Acct   | 1.98%         | 1.25%         |
| FY 2006     | Const Budg Resv Fund-Sub Acct    | 8.57%         | 7.80%         |
| FY 2006     | Retirement Hlth Ins Fund-Longter | 8.60%         | 8.91%         |
| FY 2006     | Retirement Hlth Ins Fund-Maj Med | 1.68%         | 1.01%         |
| FY 2006     | Power Cost Equalization Fund     | 8.43%         | 8.38%         |

FY2006 one-year return data is for the period 7/1/2005 through 6/30/2006.

**Analysis of results and challenges:** A combination of investments that is expected to produce the highest investment return for a given amount of risk is known as "point on the efficient frontier." Each fiduciary for a fund reviews points on the efficient frontier and selects the combination of investments consistent with their appetite for risk and returns of the fund. This selection is known as the target return.

Target returns assume the rate of indexes invested in the same proportions as the assets at the corresponding point on the efficient frontier. A fund will exceed the target rate of return if the amount of money invested matches the asset allocation at that point on the efficient frontier and the investment managers earned more than the index. Returns will be less if the manager underperformed or if assets were not allocated to overweight higher performing asset classes.

## B1: Strategy - Portfolio Investment Officer staff is continually upgraded in experience and education.

**Target #1:** Increase average longevity of the investment officers to 5 years.

**Measure #1:** The average longevity of investment officers. (Include the Chief Investment Officer and the 5 public market and 3 private market staff reporting to the Chief Investment Officer.)

### Average Longevity of Investment Staff

| Fiscal Year | # of Years        |
|-------------|-------------------|
| FY 2003     | N/A               |
| FY 2004     | 2.6 years         |
| FY 2005     | 2.8 years         |
| FY 2006     | 3.8 years         |
| FY 2007     | Forecast: 4 years |

**Analysis of results and challenges:** A seasoned investment staff contributes to improved investment

performance. Over the past four years, investment performance relative to other public pension funds has markedly improved. During the fiscal year ended June 2006 the PERS/TRS retirement funds ranked in the top 25% of public pension funds.

**Target #2:** At least 4 investment staff will have their Chartered Financial Analyst (CFA) designation.

**Measure #2:** Number of investment staff with Chartered Financial Analyst designation.

**Number of Staff Holding CFA Designation**

| Fiscal Year | # of Staff  |
|-------------|-------------|
| FY 2002     | 3           |
| FY 2003     | 3           |
| FY 2004     | 3           |
| FY 2005     | 4           |
| FY 2006     | 4           |
| FY 2007     | Forecast: 5 |

**Analysis of results and challenges:** The Chartered Financial Analyst (CFA) designation takes a minimum of three years to obtain. Investment returns have steadily improved, as has the average longevity of the investment staff and their individual progress towards obtaining CFA designations. For the period ended September 2006, twenty-nine out of thirty-six (80%) of the internally managed Department of Revenue funds exceeded their target returns.

**C: Result - Collection and distribution of child support due to the children served by CSSD.**

**Target #1:** Increase collections by 3%, net PFD.

**Measure #1:** Percent of change in total collections, net PFD collections.

**Percent Change in Total Collections for a Fiscal Year**

| Fiscal Year | Percent Change |
|-------------|----------------|
| FY 2002     | 7.4%           |
| FY 2003     | 6.2%           |
| FY 2004     | 4.2%           |
| FY 2005     | 1.92%          |
| FY 2006     | 3.72%          |

**Analysis of results and challenges:** The division increased non-PFD collections from FY2005 to FY2006 in the amount of \$3,348,800 or 3.72%. Increasing total collections allows the division to increase distributions to custodial parents. This improves the financial support that benefits children's lives. The increase in FY2002 relates to the implementation of the mandatory multi-state federal financial institution data match program. During FY2003, the state financial institute data match program was initiated which accounted for the increase in that year. The division continues to expect a steady but gradual increase in non-PFD collections as projected increases will have to come from much smaller operational changes as no significant federal or state major enhancements are planned at this time.



## C1: Strategy - Improve the environment necessary for increased child support collections.

**Target #1:** Increase paternities established to 100%.

**Measure #1:** Percentage of paternities established.

### Percentage of Paternities Established

| Fiscal Year | Percentage Established |
|-------------|------------------------|
| FFY 2002    | 89.6%                  |
| FFY 2003    | 89.3%                  |
| FFY 2004    | 87.0%                  |
| FFY 2005    | 105.0%                 |

FFY 2006 data will be available in mid to late November, 2006.

**Analysis of results and challenges:** Improving the number of paternities that the division establishes allows cases to be available for establishing an order and, in turn, allows money to start flowing to the family. The federal government measures this by taking the number of children with paternity established or acknowledged in the current fiscal year divided by the number of children born out of wedlock for the prior fiscal year, which can result in more than 100% of paternities established.

**Target #2:** Increase cases with orders to 93.5%.

**Measure #2:** Percentage of cases with orders.

### Percentage of Cases With Orders

| Fiscal Year | Percentage w/Orders |
|-------------|---------------------|
| FY 2002     | 83%                 |
| FY 2003     | 81%                 |
| FY 2004     | 84.7%               |
| FY 2005     | 92.3%               |
| FY 2006     | 93.2%               |

**Analysis of results and challenges:** Collections cannot be made without a proper order in place. Establishing this quickly and effectively is one of the keys to a successful child support program. Reviewing and streamlining the division's process in establishing cases will aid in the timeliness of collecting and distributing child support.

**Target #3:** Increase current collections to 55%.

**Measure #3:** Percentage of current collections.

### Percentage of Current Collections

| Fiscal Year | Percentage |
|-------------|------------|
| FFY 2002    | 54%        |
| FFY 2003    | 53.2%      |
| FFY 2004    | 54.2%      |
| FFY 2005    | 52%        |

FFY 2006 data will be available in mid to late November, 2006.

**Analysis of results and challenges:** Also a main component to any child support program, collecting current money due is crucial to the financial well-being of the children it is intended to benefit. Increased information systems for new hires with the federal government and Alaska employers will enhance our ability to streamline the withholding process, improving the overall ability to collect current support quickly.

**Target #4:** Increase number of cases with arrearage collections to 71%.

**Measure #4:** Percentage of cases with arrearage collections.

**Percentage of Cases with Arrearage Collections**

| Fiscal Year | Percentage |
|-------------|------------|
| FFY 2002    | 68.4%      |
| FFY 2003    | 66.5%      |
| FFY 2004    | 65.4%      |
| FFY 2005    | 67.9%      |

FFY 2006 data will be available in mid to late November, 2006.

**Analysis of results and challenges:** A higher concentration on cases with special collection needs will increase overall collections.

**Target #5:** Increase the cost effectiveness ratio to 4.55.

**Measure #5:** Cost effectiveness ratio.

**Cost Effectiveness Ratio**

| Fiscal Year | Ratio |
|-------------|-------|
| FFY 2002    | 4.49  |
| FFY 2003    | 4.24  |
| FFY 2004    | 4.42  |
| FFY 2005    | 4.52  |

FFY 2006 data will be available in mid to late November, 2006.

**Analysis of results and challenges:** Two components, expenses and collections, figure into this target. Overall, showing the highest possible amount of collections for the least amount spent is highly sought. With improved automation and new ideas to streamline, we hope to meet this target.

**Target #6:** Reduce cases with no collections for one year or more to 12% or less of cases eligible for collections.

**Measure #6:** Percentage of cases with no collections for one year or more versus total cases eligible for collection.

**Cases With No Collections for 1 Year or More**

| Fiscal Year | Percentage |
|-------------|------------|
| FY 2002     | NA         |
| FY 2003     | NA         |
| FY 2004     | 23%        |
| FY 2005     | 12.92%     |
| FY 2006     | 12.64%     |

**Analysis of results and challenges:** A recent analysis of outstanding collections showed a relationship between those cases with the highest outstanding balances and those with no recent collections. A portion of the cases with no collections for one year or more are designated as "hard to collect". To address the problem of hard to collect cases, in October, 2005, CSSD assembled a specialized team of child support specialists. It is anticipated that in FY2007 the percentage of cases with no collections will begin to decrease as more of the "hard to collect" cases are handled by this team. As of June 30, 2006, CSSD had begun collection efforts on 337 hard to collect cases. Collections have been made on 133 of those cases totaling \$192,349.

## D: Result - All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend (PFD) in October.

**Target #1:** 100% of eligible applicants not in appeal are paid in October.

**Measure #1:** Percentage of eligible applicants not in appeal who are paid in October.

### Eligible Applicants Paid in October

| Year | % of Applicants |
|------|-----------------|
| 2002 | 93.6%           |
| 2003 | 93.7%           |
| 2004 | 94.0%           |
| 2005 | 96.0%           |
| 2006 | 98.79%          |

**Analysis of results and challenges:** The division exceeded the goal of 98% set for 2006. This can be attributed to additional increases in on-line filing, increased use of automation in processing, cross-utilization of staff, and implementation of the new Dividend Application Information System (DAIS II).

## D1: Strategy - Provide PFD staff with needed training to perform effectively.

**Target #1:** 100% of new PFD staff receive standardized training within first three months.

**Measure #1:** Percentage of new staff that receive standardized training within first three months.

### Standardized Training of Staff Within First Three Months

| Year | % of Staff Trained |
|------|--------------------|
| 2004 | 50%                |
| 2005 | 100%               |
| 2006 | 100%               |

**Analysis of results and challenges:** Standardized training was developed and implemented between December 2003 and January 2004. This training is proving to be effective for all staff and is updated with each session taught. All new employees were given this training in 2006.

## Prioritization of Agency Programs

(Statutory Reference AS 37.07.050(a)(13))

1. Tax Division
2. Treasury Management
3. Child Support Services Division
4. Permanent Fund Dividend Division
5. Commissioner's Office
6. Administrative Services Division
7. Alaska Permanent Fund Corporation
8. Alaska Retirement Management Board
9. Alaska Housing Finance Corporation
10. Alaska Municipal Bond Bank Authority
11. Alaska Mental Health Trust Authority
12. Alaska Natural Gas Development Authority

## Component: Tax Division

### Contribution to Department's Mission

The mission of the Tax Division is to collect taxes, inform stakeholders and regulate charitable gaming.

### Core Services

- Facilitate voluntary compliance
- Enforce tax and gaming statutes
- Account for and distribute revenues
- Inform stakeholders
- Participate in Governor's new revenue and investment initiatives

| End Results   | Strategies to Achieve Results   |
|---|---|
| <p><b>A: Maximize compliance with current tax and gaming statutes.</b></p> <p><u>Target #1:</u> Percentage of taxes collected compared to taxes due between 92% and 98%.</p> <p><u>Measure #1:</u> Percentage of taxes collected compared to the taxes due.</p> | <p><b>A1: Increase audit coverage (audit activities improve compliance and revenue).</b></p> <p><u>Target #1:</u> Open 20 new audit cases (taxpayers that have not been audited by us in the prior five years).</p> <p><u>Measure #1:</u> Number of new audits opened.</p> <p><b>A2: Increase voluntary compliance from identifying non-filers.</b></p> <p><u>Target #1:</u> Find 30 non-filers through compliance work.</p> <p><u>Measure #1:</u> Number of non-filers brought into compliance.</p> <p><b>A3: Use refund requests as a measure for how effective we are in processing tax returns and return information.</b></p> <p><u>Target #1:</u> Issue 100% of tax refunds within statutory 90-day interest free (grace) period.</p> <p><u>Measure #1:</u> Percentage of refunds issued within 90 days of claim.</p> <p><b>A4: Use permit application process as a measure for how effective we are in regulating gaming.</b></p> <p><u>Target #1:</u> Reduce the percent of gaming applications that require follow up due to missing and incomplete forms to no more than 35% of all applicants.</p> <p><u>Measure #1:</u> Percentage of gaming applications received needing additional follow-up.</p> <p><b>A5: Increase number of audit hours.</b></p> <p><u>Target #1:</u> 3,000 hour increase in audit hours over prior</p> |

|  | year.<br>Measure #1: Increase in audit hours over prior year.  |
|--|--|
| End Results  | Strategies to Achieve Results  |
| <b>B: Unclaimed property owners in Alaska will be united with their property.</b><br><br><u>Target #1:</u> Pay 15% more claims each year.<br><u>Measure #1:</u> Number of claims paid each year as compared to prior year. | <b>B1: Place primary focus on locating owners of most recently reported properties.</b><br><br><u>Target #1:</u> Unclaimed Property will initiate search of at least 50 owners per month.<br><u>Measure #1:</u> Number of owner searches performed per year. |

### Major Activities to Advance Strategies

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Enforce tax compliance through audit</li> <li>• Focus activity examination on high risk returns and errors</li> <li>• Streamline examination process</li> <li>• Employ IRS data and examination resources to identify non-filers</li> <li>• Implement performance tracking and process monitoring tools</li> <li>• Provide training workshops in key areas</li> </ul> | <ul style="list-style-type: none"> <li>• Encourage voluntary compliance by informing taxpayers of resources that allow them to fully comply</li> <li>• Account for program revenues</li> <li>• Publish well-used and statutorily required publications and website materials</li> <li>• Assist governor and legislature in developing new sources of revenue and increasing existing sources</li> <li>• Respond to revenue related legislation</li> </ul> |
|--|---|

### FY2008 Resources Allocated to Achieve Results

**FY2008 Component Budget: \$13,096,500**

**Personnel:**

|              |            |
|--------------|------------|
| Full time    | 121        |
| Part time    | 1          |
| <b>Total</b> | <b>122</b> |

## Performance Measure Detail

### A: Result - Maximize compliance with current tax and gaming statutes.

**Target #1:** Percentage of taxes collected compared to taxes due between 92% and 98%.

**Measure #1:** Percentage of taxes collected compared to the taxes due.

#### Taxes Collected Compared to Taxes Due

| Fiscal Year | % of Taxes Collected |
|-------------|----------------------|
| FY 2002     | 96.6%                |
| FY 2003     | 98.5%                |
| FY 2004     | 99.7%                |
| FY 2005     | 98.6%                |
| FY 2006     | 96.0%                |
| FY 2007     | Forecast: 96.0%      |

**Analysis of results and challenges:** At the margin, this percentage is driven primarily by the Tax Division's resolution of large and complex oil and gas income and production tax cases. Too high a percentage indicates that the division is not assessing difficult taxpayers or issues where the State is likely to collect less than 100%.

Too low a figure indicates that the State is being overly aggressive with taxpayers and then settling too easily. A balanced result indicates a balanced approach. In FY2005, the Tax Division collected \$1,522.1 million out of \$1,544.4 million voluntarily reported or assessed by the department.

The Division performed outside of our target range again in FY2005. The results reflect increased assessments offset by proportionately larger increases in overall collections resulting from higher oil prices. Rising oil revenue does not fully account for missing the target in FY2005. We missed the target using the averages over the last five years as well as applying FY2005 assessment collections to average voluntary collections over the past five years.

Current collections on assessments reflect both current and past audit activity. These results are reflective of the historical decline in the Division's audit effort that continued through FY2005. Sustained success in this and other enforcement related performance measures can only follow increased enforcement efforts. While a single assessment may temporarily push the Division into our target range we do not foresee sustainable performance within the target range during FY2007 or FY2008.

### **A1: Strategy - Increase audit coverage (audit activities improve compliance and revenue).**

**Target #1:** Open 20 new audit cases (taxpayers that have not been audited by us in the prior five years).

**Measure #1:** Number of new audits opened.

#### **Number of New Audit Cases Opened**

| <b>Fiscal Year</b> | <b># of Cases</b> |
|--------------------|-------------------|
| FY 2002            | 9                 |
| FY 2003            | 13                |
| FY 2004            | 7                 |
| FY 2005            | 14                |
| FY 2006            | 5                 |
| FY 2007            | Forecast: 20      |

**Analysis of results and challenges:** The Tax Division maintains 100% coverage in oil and gas income and production taxes (and new oil and gas audit subjects are not included in this measure). An audit presence in each of the other tax types improves long-term voluntary compliance as well as generates new audit revenues. Furthermore, once established, audit generated revenues tend to recur as taxpayers modify their reporting to become consistent with the audit findings. Not included in the new audit count are audits of exploration tax credit claims by existing taxpayers. These audits do not meet our definition of "new audits" although they represent new and expanded audit effort by the division. Despite improvement in FY2005, the division failed to reach our goal of twenty new audit cases as a result of continued redirection of audit resources to major revenue and development projects in FY2006. The Tax Division continued to experience high vacancy among the professional audit staff, which resulted in a job classification study in FY2006.

We view twenty new audit subjects annually as an appropriate target and this remains our goal for FY2007.

**A2: Strategy - Increase voluntary compliance from identifying non-filers.**

**Target #1:** Find 30 non-filers through compliance work.

**Measure #1:** Number of non-filers brought into compliance.

**New Filers through Compliance**

| Fiscal Year | # of New Filers |
|-------------|-----------------|
| FY 2004     | 38              |
| FY 2005     | 45              |
| FY 2006     | 900*            |
| FY 2007     | Forecast: 300   |

\*Internet tobacco tax compliance project yielded 700 new taxpayers in FY2006.

**Analysis of results and challenges:** The Tax Division encourages voluntary compliance as the most effective tool for collecting tax revenues. An important aspect of voluntary compliance is for taxpayers to believe that they are paying about the same amount in taxes as other similarly situated taxpayers. Seeking out and finding new taxpayers and bringing them into compliance assists revenue both in long-term voluntary compliance as well as bringing in the revenues from the new taxpayers. The division does not believe there are any major oil and gas taxpayers not filing, but we are going after the tax types that constitute the other 20% of its revenue responsibilities. This target and measure does not include federal or multi-state compliance programs in which we currently participate. New tax programs accounted for 16 of the 45 taxpayers brought into compliance during FY2005. In FY2006, an Internet tobacco tax compliance project yielded 700 new taxpayers. We maintain our target of 30 non-filers as an appropriate goal for our mix of maturing and established programs.

**A3: Strategy - Use refund requests as a measure for how effective we are in processing tax returns and return information.**

**Target #1:** Issue 100% of tax refunds within statutory 90-day interest free (grace) period.

**Measure #1:** Percentage of refunds issued within 90 days of claim.

**Refunds Issued Within 90 Days of Claim**

| Fiscal Year | % of Refunds Issued |
|-------------|---------------------|
| FY 2002     | 76.35%              |
| FY 2003     | 64.02%              |
| FY 2004     | 79.46%              |
| FY 2005     | 78.63%              |
| FY 2006     | 90.0%               |
| FY 2007     | Forecast: 100.0%    |

**Analysis of results and challenges:** The Tax Division encourages voluntary compliance as the most effective tool for collecting tax revenues. Another important aspect of voluntary compliance is for the taxpayers to believe the division is timely, effective and efficient; and therefore, they are likely to suffer consequences if they are not fair in their dealings with the division. The division is using how well it processes refund requests as a proxy for how well it can process the information and money associated with returns, and then keep track of, retrieve, process and act on that information when requested. The Tax Division believes this is a good test for perceived competence with taxpayers, which in turn is reflected in voluntary compliance.

Our analysis of refund processing performance points to systems and staffing issues as the primary factors in meeting this target. Fully staffed programs supported by new systems met our target. Established programs with leaner staffing models and/or outdated systems failed to meet the target. System improvements were implemented and some increased staffing levels occurred in FY2006. In FY2006 we reached the previous target of 90% of tax refunds issued within the statutory period. We anticipate reaching our current target of 100% issuance of tax refunds within 90 days of claim in FY2007.

#### A4: Strategy - Use permit application process as a measure for how effective we are in regulating gaming.

**Target #1:** Reduce the percent of gaming applications that require follow up due to missing and incomplete forms to no more than 35% of all applicants.

**Measure #1:** Percentage of gaming applications received needing additional follow-up.

##### Gaming Applications that Require Follow-up

| Fiscal Year | % of Applications |
|-------------|-------------------|
| FY 2002     | 70%               |
| FY 2003     | 70%               |
| FY 2004     | 39%               |
| FY 2005     | 36%               |
| FY 2006     | 35%               |
| FY 2007     | Forecast: 35%     |

**Analysis of results and challenges:** The Tax Division believes that voluntary compliance is tied to how competent and well organized the division is perceived to be. This measure specifically targets the gaming tax, for which the division also serves as the regulatory body. The Tax Division has created checklists and visual aids to assist applicants for permits in preparing a complete and accurate application the first time each time. The division believes this is a good test for the perceived competence with taxpayers, which in turn is reflected in both voluntary compliance for the taxpayer and conformance with the gaming laws.

#### A5: Strategy - Increase number of audit hours.

**Target #1:** 3,000 hour increase in audit hours over prior year.

**Measure #1:** Increase in audit hours over prior year.

##### Change in Audit Hours over Prior Year

| Fiscal Year | # of Hours        |
|-------------|-------------------|
| FY 2005     | (363)             |
| FY 2006     | (1,741)           |
| FY 2007     | Forecast: (1,065) |

**Analysis of results and challenges:** Although voluntary compliance remains our best tool for effective tax collection, that voluntary effort is enhanced by an audit presence, and therefore we need to increase our audit numbers.

The FY2005 and FY2006 results reflect auditor attrition, continued diversion of auditors, and unsuccessful recruitment. We have developed a comprehensive training plan for corporate tax auditors in coordination with current recruitment efforts under the new class specifications. We project that it will be very difficult to meet this performance target in FY2007.

The Division has stepped up recruiting efforts nationally and have met market base pay for professional audit staff. This will reverse the trend and we expect an increase in audit hours in FY2008.



**B: Result - Unclaimed property owners in Alaska will be united with their property.**

**Target #1:** Pay 15% more claims each year.

**Measure #1:** Number of claims paid each year as compared to prior year.

**Property claims paid per year**

| Fiscal Year | # of Claims Paid | % Change from Prior Year |
|-------------|------------------|--------------------------|
| FY 2002     | 2,265            | N/A                      |
| FY 2003     | 2,706            | 19.47%                   |
| FY 2004     | 1,780            | -34.22%                  |
| FY 2005     | 4,061            | 128.15%                  |
| FY 2006     | 4,649            | 14%                      |
| FY 2007     |                  | Forecast: 15%            |

**Analysis of results and challenges:** Claims filed can fluctuate significantly due to factors beyond our control. Claims initiated through contact with property owners will not always result in a claim being paid in the same fiscal year.

**B1: Strategy - Place primary focus on locating owners of most recently reported properties.**

**Target #1:** Unclaimed Property will initiate search of at least 50 owners per month.

**Measure #1:** Number of owner searches performed per year.

**Owner Searches Performed by UCP**

| Fiscal Year | # of Searches |
|-------------|---------------|
| FY 2004     | 300           |
| FY 2005     | 600           |
| FY 2006     | 300           |
| FY 2007     | Forecast: 300 |

**Analysis of results and challenges:** The Unclaimed Property (UCP) staff conducts searches for property owners by selecting recently reported properties from the division's database and using online tools to locate the owners. The target is to search for 50 owners each month, however when there are fluctuations in staffing and/or workload the UCP places a priority on responding to claims requests from property owners which involves verifying claims and processing payments. As a result of UCP's workload prioritization, the target was not met in FY2006.

This approach of searching for owners is being updated in favor of the more effective method of conducting outreach to educate potential property owners of the existence of the program's website, with a searchable database and instructions for filing a claim. This performance measure will be revised accordingly.

## Component: Treasury Division

### Contribution to Department's Mission

The mission of the Treasury Division is to manage the state's funds consistent with prudent investment guidelines and Governmental Accounting Standards Board (GASB) rules.

### Core Services

Manage the investments of state funds under the fiduciary responsibility of the Commissioner of Revenue, or as requested by other fiduciaries, such as:

- General Fund
- International Airports Revenue Fund
- International Airports Construction Funds
- Constitutional Budget Reserve Fund
- Student Loan Bond Funds
- Alaska Children's Trust
- Exxon Valdez Oil Spill Trust Fund
- Power Cost Equalization Endowment Fund
- Public School Trust Fund
- Retiree Health Insurance Fund
- University of Alaska Trust Fund
- Permanent Fund Dividend Holding Account
- Alaska Mental Health Trust Reserve
- State pension funds
- Mine reclamation funds

Provide cash management and investment advice and services to all state agencies.

Provide capital financing advice and services to state agencies upon request.

Provide staff to the Alaska Retirement Management Board, the State Bond Committee and the Alaska Municipal Bond Bank Authority.

| End Results  | Strategies to Achieve Results   |
|--|---|
| <b>A: Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.</b><br><br><u>Target #1:</u> For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.<br><u>Measure #1:</u> Actual returns compared with target returns reported by consultant or the custodian bank. | <b>A1: Portfolio Investment Officer staff is continually upgraded in experience and education.</b><br><br><u>Target #1:</u> Increase average longevity of the investment officers to 5 years.<br><u>Measure #1:</u> The average longevity of investment officers (includes the Chief Investment Officer and the 5 public market and 3 private market staff reporting to the Chief Investment Officer.)<br><br><u>Target #2:</u> At least 4 investment staff will have their Chartered Financial Analyst (CFA) designation.<br><u>Measure #2:</u> Number of investment staff with Chartered Financial Analyst designation. |
| End Results  | Strategies to Achieve Results   |
| <b>B: Users receive accurate financial information on a</b>  | <b>B1: Maximize efficiency through effective use of</b>   |

| <p><b>timely basis.</b></p> <p><u>Target #1:</u> Unaudited financial data will be available online by the 10th business day of the month 100% of the time.</p> <p><u>Measure #1:</u> Percent of the time in a year that unaudited financial data is available online by the 10th business day (out of 12 months).</p>   | <p><b>automation.</b></p> <p><u>Target #1:</u> Increase to 50% the number of fund financial statements that are produced using fully automated downloads from the custodian.</p> <p><u>Measure #1:</u> Percent of fund financial statements that are prepared using fully automated downloads compared to number of funds for which financial statements are prepared.</p> <p><u>Target #2:</u> Increase to 50% the number of pools that are reconciled using automated processes.</p> <p><u>Measure #2:</u> Percent of pools that are reconciled using automated processes.</p> |
|---|--|
| End Results   | Strategies to Achieve Results  |
| <p><b>C: Credit markets continually increase what they will pay for state debt.</b></p> <p><u>Target #1:</u> Yields at which the state issues debt will not exceed 30 basis points of the applicable benchmark.</p> <p><u>Measure #1:</u> Percent of times bonds are issued at no more than 30 basis points over benchmark. The benchmark shall be the Municipal Market Date rate for comparable debt as reported by the Bond Buyer.</p>  | <p><b>C1: Documents updating statewide fiscal and economic events sent to Moody's, other credit rating agencies, overall market for public finance.</b></p> <p><u>Target #1:</u> Formal visit, bond issue update, or updated document template sent or presented to ratings agencies at least four times per year.</p> <p><u>Measure #1:</u> Number of times ratings agencies are provided with updates each year.</p>   |
| End Results   | Strategies to Achieve Results  |
| <p><b>D: Cash management services essential to the operation of state government are timely and accurate.</b></p> <p><u>Target #1:</u> 100% of all daily cash management services essential to the operation of state government are processed on time with no avoidable errors caused by internal staff or systems.</p> <p><u>Measure #1:</u> Percentage of all daily cash management services essential to the operation of state government that are processed on time with no avoidable errors caused by internal staff or systems.</p> | <p><b>D1: Provide sufficient training and cross training of staff in the cash management services essential to the operation of state government.</b></p> <p><u>Target #1:</u> 100% of staff receive sufficient training so that all cash management services essential to the operation of state government are performed timely and accurately.</p> <p><u>Measure #1:</u> Percentage of annual cross training plan performed.</p>  |

| Major Activities to Advance Strategies   |  |
|--|--|
| <ul style="list-style-type: none"> <li>Define roles of potential new asset class managers and perform adequate due diligence.</li> <li>Financially support meeting CFA designation targets and ongoing education requirements of the investment officers.</li> <li>Have programmer work with external custodian to automate download of accounting data.</li> <li>Have accounting staff develop macro-driven spreadsheets that can take auto-downloaded data and compile the financial reports with no intervention.</li> <li>Work with Bloomberg and custodian to automate reconciliation process.</li> </ul> | <ul style="list-style-type: none"> <li>Poll banks to receive daily data.</li> <li>Inform state agencies of cash control needs and techniques.</li> <li>Define state fund intercept authority and moral obligation for credit markets and credit rating agencies.</li> <li>Staff State Bond Committee.</li> <li>Work with all public debt issuers in Alaska to defend state credit rating.</li> </ul> |

### FY2008 Resources Allocated to Achieve Results

**FY2008 Component Budget: \$6,165,100**

**Personnel:**

|              |           |
|--------------|-----------|
| Full time    | 35        |
| Part time    | 0         |
| <b>Total</b> | <b>35</b> |

### Performance Measure Detail

#### A: Result - Improve the risk adjusted return of funds under the stewardship of the Treasury Division by continually improving investment returns.

**Target #1:** For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.

**Measure #1:** Actual returns compared with target returns reported by consultant or the custodian bank.

#### One-year Return Data for Funds Managed by the Treasury Division

| Fiscal Year | Fund                             | Actual Return | Target Return |
|-------------|----------------------------------|---------------|---------------|
| FY 2006     | Gen Fund/Other Non-segregated F  | 2.92%         | 2.38%         |
| FY 2006     | AK Children's Trust Fund         | 3.73%         | 3.51%         |
| FY 2006     | Public School Trust Fund         | 4.11%         | 3.62%         |
| FY 2006     | Int'l Airports Revenue Fund      | 2.19%         | 1.50%         |
| FY 2006     | Const Budg Resv Fund-Main Acc    | 1.98%         | 1.25%         |
| FY 2006     | Const Budg Resv Fund-Sub Acc     | 8.57%         | 7.80%         |
| FY 2006     | Retirement Hlth Ins Fund-Longter | 8.60%         | 8.91%         |
| FY 2006     | Retirement Hlth Ins Fund-Maj Med | 1.68%         | 1.01%         |
| FY 2006     | Power Cost Equalization Fund     | 8.43%         | 8.38%         |

*FY2006 one-year return data is for the period 7/1/2005 through 6/30/2006.*

**Analysis of results and challenges:** A combination of investments that is expected to produce the highest investment return for a given amount of risk is known as "point on the efficient frontier." Each fiduciary for a fund reviews points on the efficient frontier and selects the combination of investments consistent with their appetite for risk and returns of the fund. This selection is known as the target return.

Target returns assume the rate of indexes invested in the same proportions as the assets at the corresponding point on the efficient frontier. A fund will exceed the target rate of return if the amount of money invested matches the asset allocation at that point on the efficient frontier and the investment managers earned more than the index. Returns will be less if the manager underperformed or if assets were not allocated to overweight higher performing asset classes.

**A1: Strategy - Portfolio Investment Officer staff is continually upgraded in experience and education.**

**Target #1:** Increase average longevity of the investment officers to 5 years.

**Measure #1:** The average longevity of investment officers (includes the Chief Investment Officer and the 5 public market and 3 private market staff reporting to the Chief Investment Officer.)

**Average Longevity of Investment Staff**

| Fiscal Year | # of Years        |
|-------------|-------------------|
| FY 2003     | N/A               |
| FY 2004     | 2.6 years         |
| FY 2005     | 2.8 years         |
| FY 2006     | 3.8 years         |
| FY 2007     | Forecast: 4 years |

**Analysis of results and challenges:** A seasoned investment staff contributes to improved investment performance. Over the past four years, investment performance relative to other public pension funds has markedly improved. During the fiscal year ended June 2006 the PERS/TRS retirement funds ranked in the top 25% of public pension funds.

**Target #2:** At least 4 investment staff will have their Chartered Financial Analyst (CFA) designation.

**Measure #2:** Number of investment staff with Chartered Financial Analyst designation.

**Number of Staff Holding CFA Designation**

| Fiscal Year | # of Staff  |
|-------------|-------------|
| FY 2002     | 3           |
| FY 2003     | 3           |
| FY 2004     | 3           |
| FY 2005     | 4           |
| FY 2006     | 4           |
| FY 2007     | Forecast: 5 |

**Analysis of results and challenges:** The Chartered Financial Analyst (CFA) designation takes a minimum of three years to obtain. Investment returns have steadily improved, as has the average longevity of the investment staff and their individual progress towards obtaining CFA designations. For the period ended September 2006, twenty-nine out of thirty-six (80%) of the internally managed Department of Revenue funds exceeded their target returns.

**B: Result - Users receive accurate financial information on a timely basis.**

**Target #1:** Unaudited financial data will be available online by the 10th business day of the month 100% of the time.

**Measure #1:** Percent of the time in a year that unaudited financial data is available online by the 10th business day (out of 12 months).

**Percent of months in the fiscal year that financial data is available by 10th business day**

| Fiscal Year | % of Months    |
|-------------|----------------|
| FY 2002     | 100%           |
| FY 2003     | 100%           |
| FY 2004     | 100%           |
| FY 2005     | 100%           |
| FY 2006     | 90%            |
| FY 2007     | Forecast: 100% |

**Analysis of results and challenges:** Treasury Asset Accounting works diligently to shorten the time that month-end financial statements are available for management and other users. In order to make it easier for client agencies, board members and the public to access financial information, unaudited financial statements are prepared and posted to the Treasury Division web site. The target completion date for preparing the monthly information is the tenth business day of the month. This target was not met in FY2006 due to high turnover of accounting staff. The loss of experienced staff and the natural training period led to a delay in preparing and posting the financial statements to the web.

**B1: Strategy - Maximize efficiency through effective use of automation.**

**Target #1:** Increase to 50% the number of fund financial statements that are produced using fully automated downloads from the custodian.

**Measure #1:** Percent of fund financial statements that are prepared using fully automated downloads compared to number of funds for which financial statements are prepared.

**Percent of funds with electronically prepared financial statements**

| Fiscal Year | % of Funds    |
|-------------|---------------|
| FY 2006     | 0%            |
| FY 2007     | Forecast: 50% |

**Analysis of results and challenges:** The Division currently downloads all financial data from the custodian monthly and then manually creates the financial reports. We are working with the custodian to fully automate the entire process. Due to staff turnover, this measure was not met in FY2006 but remains a goal for FY2007.

**Target #2:** Increase to 50% the number of pools that are reconciled using automated processes.

**Measure #2:** Percent of pools that are reconciled using automated processes.

**Percent of Pools Reconciled Electronically**

| Fiscal Year | % of Pools    |
|-------------|---------------|
| FY 2006     | 0%            |
| FY 2007     | Forecast: 50% |

**Analysis of results and challenges:** The Treasury Division works much like a mutual fund by pooling assets to achieve lower fees and more access to investment options. The division invests over \$9 billion of domestic fixed income investments internally and has over 20 external investment managers working to maximize investment returns for the given risk profiles for each fund fiduciary (board, commissioner or client agency). The division currently downloads all financial data from the custodian each month and then manually creates the financial

reports. We are working with the custodian to fully automate the entire process. Due to staff turnover, the measure wasn't met in FY2006 but remains a goal for FY2007.

### C: Result - Credit markets continually increase what they will pay for state debt.

**Target #1:** Yields at which the state issues debt will not exceed 30 basis points of the applicable benchmark.

**Measure #1:** Percent of times bonds are issued at no more than 30 basis points over benchmark. The benchmark shall be the Municipal Market Date rate for comparable debt as reported by the Bond Buyer.

#### Percent of bonds issued at less than 30 bp over benchmark

| Fiscal Year | Percent of Bonds |
|-------------|------------------|
| FY 2002     | 100%             |
| FY 2003     | 100%             |
| FY 2004     | 100%             |
| FY 2005     | 100%             |
| FY 2006     | 100%             |
| FY 2007     | Forecast: 100%   |

### C1: Strategy - Documents updating statewide fiscal and economic events sent to Moody's, other credit rating agencies, overall market for public finance.

**Target #1:** Formal visit, bond issue update, or updated document template sent or presented to ratings agencies at least four times per year.

**Measure #1:** Number of times ratings agencies are provided with updates each year.

#### Updates Provided to Ratings Agencies

| Fiscal Year | # of Updates |
|-------------|--------------|
| FY 2006     | 5            |
| FY 2007     | Forecast: 4  |

## D: Result - Cash management services essential to the operation of state government are timely and accurate.

**Target #1:** 100% of all daily cash management services essential to the operation of state government are processed on time with no avoidable errors caused by internal staff or systems.

**Measure #1:** Percentage of all daily cash management services essential to the operation of state government that are processed on time with no avoidable errors caused by internal staff or systems.

### Essential Cash Management Services

| Fiscal Year | Service                       | Timely | Accurate |
|-------------|-------------------------------|--------|----------|
| FY 2006     | Determine cash requirements   | 88%    | 99%      |
| FY 2006     | Cash flow forecasting         | 98%    | 98%      |
| FY 2006     | Electronic payment initiation | 100%   | 99%      |
| FY 2006     | Cash reconciliation           | 99%    | 99%      |
| FY 2006     | Recording bank activity       | 100%   | 100%     |
| FY 2006     | Drawdown fed funds            | 98%    | 100%     |
| FY 2006     | Interfund transfers           | 100%   | 100%     |
| FY 2006     | Record GF balance             | 100%   | 100%     |
| FY 2006     | Bank deposits                 | 99%    | 100%     |
| FY 2006     | International payments        | 86%    | 99%      |

**Analysis of results and challenges:** Over the past few years, Cash Management has experienced an increase in workload volume and complexity due to implementing new systems and processes, increases in fraud attempts, and increased demands from state agencies. As a result, there is less time to work on the most essential tasks, which in turn has a detrimental effect on Cash Management's ability to perform work accurately. In addition, Cash Management has not been able to complete cross-training of all section staff to the degree necessary to ensure all mission-critical duties that must be performed each business day are executed without fail.

## D1: Strategy - Provide sufficient training and cross training of staff in the cash management services essential to the operation of state government.

**Target #1:** 100% of staff receive sufficient training so that all cash management services essential to the operation of state government are performed timely and accurately.

**Measure #1:** Percentage of annual cross training plan performed.

### Cross Training Completed

| Fiscal Year | Percentage     |
|-------------|----------------|
| FY 2006     | 76%            |
| FY 2007     | Forecast: 100% |

*This is a new measure for FY2006*

**Analysis of results and challenges:** Over the past few years, Cash Management has experienced an increase in workload volume and complexity due to implementing new systems and processes, increases in fraud attempts, and increased demands from state agencies. As a result, Cash Management has not been able to complete cross-training of all section staff. This remains a goal for FY2007.



## Component: Alaska Retirement Management Board

### Contribution to Department's Mission

The mission of the Alaska Retirement Management Board is to manage state pension funds.

### Core Services

- Invest the funds of the state pension plans:
  - Public Employees' Retirement System
  - Teachers' Retirement System
  - Judicial Retirement System
  - Alaska National Guard and Alaska Naval Militia Retirement System
  - Health Reimbursement Arrangement Plan
  - Retirement Medical Plan.
- Select and monitor appropriate investment options for Supplemental Benefits System (SBS), Deferred Compensation and Defined Contribution Plan.
- Report to the governor, legislature, individual employers and other stakeholders the financial condition of the systems with regard to:
  - Valuation of trust fund assets and liabilities;
  - Current investment policies adopted by the board;
  - A summary of assets held in trust listed by the categories of investment;
  - The income and expenditures for the previous fiscal year;
  - One-year, three-year, five-year and 10-year investment performance for each of the funds entrusted to the board;
 and
  - Other statistical data necessary for a proper understanding of the financial status of the systems.

| End Results  | Strategies to Achieve Results  |
|--|--|
| <b>A: Improve the risk adjusted return of funds under the stewardship of the ARMB by continually improving investment returns.</b><br><br><u>Target #1:</u> Exceed 1-year and 5-year target returns.<br><u>Measure #1:</u> Actual returns compared with target returns reported by consultant. | <b>A1: Recognize possible improvements to asset allocation decisions through evaluation of greater diversification by expanding the number of asset classes. (NOTE: Asset allocation is the single largest contributor to total return.)</b><br><br><u>Target #1:</u> Perform in-depth education on and analysis of at least one investment approach.<br><u>Measure #1:</u> Number of new investment approaches that the board evaluates annually. |

### FY2008 Resources Allocated to Achieve Results

|   |          |
|---|----------|
| <b>FY2008 Component Budget: \$6,604,600</b> |          |
| <b>Personnel:</b>                           |          |
| Full time                                   | 0        |
| Part time                                   | 0        |
| <b>Total</b>                                | <b>0</b> |

## Performance Measure Detail

### A: Result - Improve the risk adjusted return of funds under the stewardship of the ARMB by continually improving investment returns.

**Target #1:** Exceed 1-year and 5-year target returns.

**Measure #1:** Actual returns compared with target returns reported by consultant.

#### One-year and Five-year Return Data for Retirement Funds

| Fiscal Year | Fund                        | 1-Year Actual | 1-Year Target | 5-Year Actual | 5-Year Target |
|-------------|-----------------------------|---------------|---------------|---------------|---------------|
| FY 2006     | Public Employees Retire Sys | 11.74%        | 10.38%        | 6.54%         | 6.83%         |
| FY 2006     | Teachers Retirement System  | 11.78%        | 10.38%        | 6.56%         | 6.83%         |
| FY 2006     | Judicial Retirement System  | 11.37%        | 10.50%        | 7.00%         | 7.18%         |
| FY 2006     | Military Retirement System  | 6.25%         | 4.51%         | 5.51%         | 5.45%         |

*FY2006 one-year return data is for the period 7/1/2005 through 6/30/2006.*

**Analysis of results and challenges:** A combination of investments that is expected to produce the highest investment return for a given amount of risk is known as "point on the efficient frontier." Each fiduciary for a fund reviews points on the efficient frontier and selects the combination of investments consistent with their appetite for risk and returns of the fund. This selection is known as the target return.

Target returns assume the rate of indexes invested in the same proportions as the assets at the corresponding point on the efficient frontier. A fund will exceed the target rate of return if the amount of money invested matches the asset allocation at that point on the efficient frontier and the investment managers earned more than the index. Returns will be less if the manager underperformed or if assets were not allocated to overweight higher performing asset classes.

### A1: Strategy - Recognize possible improvements to asset allocation decisions through evaluation of greater diversification by expanding the number of asset classes. (NOTE: Asset allocation is the single largest contributor to total return.)

**Target #1:** Perform in-depth education on and analysis of at least one investment approach.

**Measure #1:** Number of new investment approaches that the board evaluates annually.

**Analysis of results and challenges:** The Board will continue to evaluate new asset classes at their annual educational workshop.

## Component: Permanent Fund Dividend Division

### Contribution to Department's Mission

The mission of the Permanent Fund Dividend Division is to administer the Permanent Fund Dividend Program.

### Core Services

- Administration of the annual Permanent Fund Dividend (PFD) application process
- Investigation and prosecution of PFD fraud; collection of dividend payments made to ineligible applicants
- Administration of the appeals process for denied applicants
- Garnishee dividends as appropriate
- Provide information from the PFD data base

| End Results  | Strategies to Achieve Results   |
|--|---|
| <p><b>A: All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October.</b></p> <p><u>Target #1:</u> 100% of eligible applicants not in appeal are paid in October<br/> <u>Measure #1:</u> Percentage of eligible applicants not in appeal who are paid in October</p> | <p><b>A1: Provide staff with needed training to perform effectively.</b></p> <p><u>Target #1:</u> 100% of new staff receive standardized training within first three months.<br/> <u>Measure #1:</u> Percentage of new staff that receive standardized training within first three months.</p> <p><b>A2: Maximize use of staff across unit lines throughout the cycle.</b></p> <p><u>Target #1:</u> 100% of staff are cross-trained to work in at least one other unit.<br/> <u>Measure #1:</u> Percentage of staff trained to work in at least one other unit.</p> <p><b>A3: Increase use by the public of online filing and applicant support services.</b></p> <p><u>Target #1:</u> 50% of applications are filed on-line by 2006.<br/> <u>Measure #1:</u> Percentage of applicants that use on-line filing.</p> |
| End Results  | Strategies to Achieve Results   |
| <p><b>B: Processing cost per application is reduced or maintained.</b></p> <p><u>Target #1:</u> Maintain cost of processing at or below FY2004 cost per application<br/> <u>Measure #1:</u> Cost per application (in nominal dollars)</p>  | <p><b>B1: Reduce manual linking of supplemental documents.</b></p> <p><u>Target #1:</u> 50% of supplemental documents are electronically linked by the 2006 dividend cycle.<br/> <u>Measure #1:</u> Percentage of documents that are electronically linked.</p>   |

| End Results   | Strategies to Achieve Results  |
|---|--|
| <b>C: Applicants who fraudulently file dividend applications are identified and prosecuted.</b><br><br><u>Target #1:</u> Increase identification and prosecution of fraud by 100%<br><u>Measure #1:</u> Number of cases identified and prosecuted | <b>C1: Increase audit actions to identify fraudulently filed applications.</b><br><br><u>Target #1:</u> Implement one new special audit every year.<br><u>Measure #1:</u> New audits initiated.<br><br><u>Target #2:</u> Investigate all fraud tips received by September 1 prior to payment of current dividend.<br><u>Measure #2:</u> Percentage of fraud tips received by September 1 that are investigated prior to payment of current dividend. |

### Major Activities to Advance Strategies

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Expand myAlaska to all applicants</li> <li>• Offer early payment incentives to applicants who file online, in January, and select direct deposit.</li> <li>• Expand functionality of on-line applicant status inquiry</li> <li>• Complete DAIS III, the eligibility and case management piece of the applicant data base.</li> <li>• Complete the new PFD payment system.</li> <li>• Fund a special prosecutor at the Department of Law to work on PFD criminal fraud cases.</li> <li>• Obtain access to FBI databases, NCIS and NLETS</li> </ul> | <ul style="list-style-type: none"> <li>• Publicize prosecuted criminal activity</li> <li>• Continue to offer imaging services to other entities in the department</li> <li>• Provide standardized training to new staff</li> <li>• Cross train staff to work in more than one functional area</li> <li>• Allocate staff across unit lines to address peak workload</li> <li>• Emphasize customer service in division meetings, special trainings, and in staff performance evaluations</li> </ul> |
|--|---|

### FY2008 Resources Allocated to Achieve Results

**FY2008 Component Budget: \$7,281,800**

**Personnel:**

|              |           |
|--------------|-----------|
| Full time    | 73        |
| Part time    | 17        |
| <b>Total</b> | <b>90</b> |

### Performance Measure Detail

#### A: Result - All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October.

**Target #1:** 100% of eligible applicants not in appeal are paid in October

**Measure #1:** Percentage of eligible applicants not in appeal who are paid in October

#### Eligible Applicants Paid in October

| Year | Percentage Paid |
|------|-----------------|
| 2002 | 93.6%           |
| 2003 | 93.7%           |
| 2004 | 94.0%           |
| 2005 | 96.0%           |
| 2006 | 98.79%          |

**Analysis of results and challenges:** The division exceeded the goal of 98% set for 2006. This can be attributed

to additional increases in on-line filing, increased use of automation in processing, cross-utilization of staff, and implementation of the new Dividend Application Information System (DAIS II).

### **A1: Strategy - Provide staff with needed training to perform effectively.**

**Target #1:** 100% of new staff receive standardized training within first three months.

**Measure #1:** Percentage of new staff that receive standardized training within first three months.

#### **Standardized Training of Staff Within First Three Months**

| Year | % of Staff Trained |
|------|--------------------|
| 2004 | 50%                |
| 2005 | 100%               |
| 2006 | 100%               |

**Analysis of results and challenges:** Standardized training was developed and implemented between December 2003 and January 2004. This training is proving to be effective for all staff and is updated with each session taught. All new employees were given this training in 2006.

### **A2: Strategy - Maximize use of staff across unit lines throughout the cycle.**

**Target #1:** 100% of staff are cross-trained to work in at least one other unit.

**Measure #1:** Percentage of staff trained to work in at least one other unit.

#### **Staff Trained to Work in Other Units**

| Year | % of Staff     |
|------|----------------|
| 2004 | 75%            |
| 2005 | 100%           |
| 2006 | Forecast: 100% |

**Analysis of results and challenges:** All staff are cross-trained by the time they complete their probationary period.

### **A3: Strategy - Increase use by the public of online filing and applicant support services.**

**Target #1:** 50% of applications are filed on-line by 2006.

**Measure #1:** Percentage of applicants that use on-line filing.

#### **Applicants Using On-line Filing**

| Year | % of Applicants |
|------|-----------------|
| 2002 | 14.0%           |
| 2003 | 24.9%           |
| 2004 | 25.2%           |
| 2005 | 34.0%           |
| 2006 | Forecast: 50.0% |

**Analysis of results and challenges:** The number of PFD applicants applying online in 2005 increased by more than 53,000 over the previous dividend year. In spite of this increase, PFD missed their 2005 goal of having 40% of all applicants using online filing. The forecast for 2006 is that 50% of all PFD applicants will file online.

**B: Result - Processing cost per application is reduced or maintained.**

**Target #1:** Maintain cost of processing at or below FY2004 cost per application

**Measure #1:** Cost per application (in nominal dollars)

**Cost per Application (in nominal dollars)**

| Fiscal Year | Cost per Application |
|-------------|----------------------|
| FY 2003     | \$9.73               |
| FY 2004     | \$9.42               |
| FY 2005     | \$9.39               |
| FY 2006     | \$9.77               |

**Analysis of results and challenges:** Cost savings of \$108,600 in seasonal staff in combination with cost increases in computer services, legal services, formal appeals, and overall personal services, divided by over 1,000 fewer applicants netted to an increase of \$0.35 per application relative to 2004.

**B1: Strategy - Reduce manual linking of supplemental documents.**

**Target #1:** 50% of supplemental documents are electronically linked by the 2006 dividend cycle.

**Measure #1:** Percentage of documents that are electronically linked.

**Analysis of results and challenges:** This target was met during the 2006 dividend cycle. In preparation for the electronic linking of forms, all forms were re-designed and computer applications were re-written to utilize optical character recognition (OCR). Implementation occurred when the new Dividend Application Information System (DAIS II) came online at the beginning of the 2006 dividend cycle on January 1, 2006.

PFD is currently electronically linking the majority of PFD forms which amounts to well over 50% of all of the 1.5 million documents that are handled per year. Some documents (birth certificates, immigration papers, travel documents, etc.) cannot be electronically linked with current technology.

**C: Result - Applicants who fraudulently file dividend applications are identified and prosecuted.**

**Target #1:** Increase identification and prosecution of fraud by 100%

**Measure #1:** Number of cases identified and prosecuted

**Fraud Cases Identified and Prosecuted**

| Year | # of Cases      | % Change from Prior Year |
|------|-----------------|--------------------------|
| 2004 | 1,236           | n/a                      |
| 2005 | 1,700           | 37.54%                   |
| 2006 | Forecast: 2,000 |                          |

**Analysis of results and challenges:** Fraud work is tracked on a dividend year basis (calendar year). 2006 investigations and audits are underway. To date about 725 cases have been identified and prosecuted. The division should have no trouble meeting this goal.

**C1: Strategy - Increase audit actions to identify fraudulently filed applications.**

**Target #1:** Implement one new special audit every year.

**Measure #1:** New audits initiated.

**New Audits Initiated**

| Year | # New Audits |
|------|--------------|
| 2004 | 2            |
| 2005 | 2            |
| 2006 | Forecast: 2  |

**Analysis of results and challenges:** Two new special audits were done in 2005: seasonal cannery employees, and a small audit of applicants who file online from out of state but claim to be in Alaska. The online applicant audit will be expanded in 2006 and a new audit will be developed of applicants who receive direct deposit and receive their bank statements out of state.

**Target #2:** Investigate all fraud tips received by September 1 prior to payment of current dividend.

**Measure #2:** Percentage of fraud tips received by September 1 that are investigated prior to payment of current dividend.

**Fraud Tips Investigated Prior to Payment of Current Dividend**

| Year | Percentage     |
|------|----------------|
| 2004 | 95%            |
| 2005 | 100%           |
| 2006 | Forecast: 100% |

**Analysis of results and challenges:** All fraud tips received by September 1 were investigated prior to payment; however some complex cases could not be resolved before the October payment of dividends.

**RDU/Component: Child Support Services Division***(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

The mission of the Child Support Services Division is to collect and distribute child support.

**Core Services**

- Establish paternity and child support
- Review and adjust cases
- Enforce cash and medical support

| End Results   | Strategies to Achieve Results   |
|---|---|
| <p><b>A: Collection and disbursement of child support due to the children served by CSSD.</b></p> <p><u>Target #1:</u> Increase collections by 3%, net Permanent Fund Dividend collections.</p> <p><u>Measure #1:</u> Percent of change in total collections, net PFD collections.</p> <p><u>Target #2:</u> Increase disbursements of child support payments by 1.8%.</p> <p><u>Measure #2:</u> Percent of change in total disbursements.</p> | <p><b>A1: Improve the environment necessary for increased collections.</b></p> <p><u>Target #1:</u> Increase paternitys established to 100%.</p> <p><u>Measure #1:</u> Percentage of paternitys established.</p> <p><u>Target #2:</u> Increase cases with orders to 93.5%.</p> <p><u>Measure #2:</u> Percentage of cases with orders.</p> <p><u>Target #3:</u> Increase current collections to 55%.</p> <p><u>Measure #3:</u> Percentage of current collections.</p> <p><u>Target #4:</u> Increase number of cases with arrearage collections to 71%.</p> <p><u>Measure #4:</u> Percentage of cases with arrearages with collections.</p> <p><u>Target #5:</u> Increase the cost effectiveness ratio to 4.55.</p> <p><u>Measure #5:</u> Cost effectiveness ratio.</p> <p><u>Target #6:</u> Reduce cases with no collections for one year or more to 12% or less of cases eligible for collections.</p> <p><u>Measure #6:</u> Percentage of cases with no collections for one year or more versus total cases eligible for collection.</p> <p><b>A2: Improve the efficiency of distributing child support.</b></p> <p><u>Target #1:</u> Increase recipients on automated distribution to 60%.</p> <p><u>Measure #1:</u> Percentage of recipients receiving automated distribution.</p> <p><u>Target #2:</u> Decrease money on hold, less those categories that are out of the division's control to less than 0.4% (four-tenths of a percent).</p> <p><u>Measure #2:</u> Percentage of money on hold, less those categories that the division cannot or should not affect.</p> |



**A3: Improve customer service.**

Target #1: Wait times for telephone calls are reduced to an average of 3 minutes.

Measure #1: Average telephone call wait times.

### Major Activities to Advance Strategies

- Improve communications and processes with clients and other state and federal agencies.
- Train a special collections unit.
- Prosecute criminal non-support when appropriate.
- Review and adjust cases, establish paternity, locate employers and assets of non-custodial parents, and create and modify support orders.
- Increase electronic payments and disbursements of child support through outreach to our clients by making clients aware of the options available.
- Institute full collection of arrearages for the passport denial/release program.
- Notify clients of the change in the amount of arrearages on the passport denial program from a \$5000 to \$2500 threshold.
- Expand the state-owed arrearage abatement program.
- Provide presentations and outreach to businesses, non-profits and faith-based organizations, ethnic populations, schools, and mass media.
- Work on improving customer service by providing more personal contact; respond timely with written responses to our clients' questions and concerns.
- Provide employers' with the option of reporting employment information on-line.
- Provide our clients with the ability to look up their statement on-line.

### FY2008 Resources Allocated to Achieve Results

**FY2008 Component Budget: \$24,415,400**

**Personnel:**

|              |            |
|--------------|------------|
| Full time    | 232        |
| Part time    | 0          |
| <b>Total</b> | <b>232</b> |

### Performance Measure Detail

#### A: Result - Collection and disbursement of child support due to the children served by CSSD.

**Target #1:** Increase collections by 3%, net Permanent Fund Dividend collections.

**Measure #1:** Percent of change in total collections, net PFD collections.

#### Percent Change in Total Collections for a Fiscal Year

| Fiscal Year | % Change |
|-------------|----------|
| FY 2002     | 7.4%     |
| FY 2003     | 6.2%     |
| FY 2004     | 4.2%     |
| FY 2005     | 1.92%    |
| FY 2006     | 3.72%    |

**Analysis of results and challenges:** The division increased non-PFD collections from FY2005 to FY2006 in the amount of \$3,348,800 or 3.72%. Increasing total collections allows the division to increase distributions to custodial parents. This improves the financial support that benefits children's lives. The increase in FY2002 relates to the implementation of the mandatory multi-state federal financial institution data match program.

During FY2003, the state financial institute data match program was initiated which accounted for the increase in that year. The division continues to expect a steady but gradual increase in non-PFD collections as projected increases will have to come from much smaller operational changes as no significant federal or state major enhancements are planned at this time.

**Target #2:** Increase disbursements of child support payments by 1.8%.

**Measure #2:** Percent of change in total disbursements.

#### Disbursements of Child Support Payments

| Fiscal Year | % of Change |
|-------------|-------------|
| FY 2005     | 1.77%       |
| FY 2006     | 1.45%       |

**Analysis of results and challenges:** This measure works in conjunction with the "money on hold" measure (see CSSD component strategy A2, measure #2), which measures the disbursement of actual child support payments that provide financial support to the children.

#### A1: Strategy - Improve the environment necessary for increased collections.

**Target #1:** Increase paternities established to 100%.

**Measure #1:** Percentage of paternities established.

#### Percentage of Paternities Established

| Fiscal Year | Percentage |
|-------------|------------|
| FFY 2002    | 89.6%      |
| FFY 2003    | 89.3%      |
| FFY 2004    | 87%        |
| FFY 2005    | 105%       |

*FFY 2006 data will be available in mid to late November, 2006.*

**Analysis of results and challenges:** Improving the number of paternities that the division establishes allows cases to be available for establishing an order and, in turn, allows money to start flowing to the family. The federal government measures this by taking the number of children with paternity established or acknowledged in the current fiscal year divided by the number of children born out of wedlock for the prior fiscal year, which can result in more than 100% of paternities established.

**Target #2:** Increase cases with orders to 93.5%.

**Measure #2:** Percentage of cases with orders.

#### Percentage of Cases with Orders

| Fiscal Year | Percentage |
|-------------|------------|
| FY 2002     | 83%        |
| FY 2003     | 81%        |
| FY 2004     | 84.7%      |
| FY 2005     | 92.3%      |
| FY 2006     | 93.2%      |

**Analysis of results and challenges:** Collections cannot be made without a proper order in place. Establishing this quickly and effectively is one of the keys to a successful child support program. Reviewing and streamlining the division's process in establishing cases will aid in the timeliness of collecting and distributing child support.

**Target #3:** Increase current collections to 55%.

**Measure #3:** Percentage of current collections.

**Percentage of Current Collections**

| Fiscal Year | Percentage |
|-------------|------------|
| FFY 2002    | 54%        |
| FFY 2003    | 53.2%      |
| FFY 2004    | 54.2%      |
| FFY 2005    | 52%        |

FFY 2006 data will be available in mid to late November, 2006.

**Analysis of results and challenges:** Also a main component to any child support program, collecting current money due is crucial to the financial well-being of the children it is intended to benefit. Increased information systems for new hires with the federal government and Alaska employers will enhance our ability to streamline the withholding process, improving the overall ability to collect current support quickly.

**Target #4:** Increase number of cases with arrearage collections to 71%.

**Measure #4:** Percentage of cases with arrearages with collections.

**Percentage of Cases with Arrearage Collections**

| Fiscal Year | Percentage |
|-------------|------------|
| FFY 2002    | 68.4%      |
| FFY 2003    | 66.5%      |
| FFY 2004    | 65.4%      |
| FFY 2005    | 67.9%      |

FFY 2006 data will be available in mid to late November, 2006.

**Analysis of results and challenges:** A higher concentration on cases with special collection needs will increase overall collections.

**Target #5:** Increase the cost effectiveness ratio to 4.55.

**Measure #5:** Cost effectiveness ratio.

**Cost Effectiveness Ratio**

| Fiscal Year | Ratio |
|-------------|-------|
| FFY 2002    | 4.49  |
| FFY 2003    | 4.24  |
| FFY 2004    | 4.42  |
| FFY 2005    | 4.52  |

FFY 2006 data will be available in mid to late November, 2006.

**Analysis of results and challenges:** Two components, expenses and collections, figure into this target. Overall, showing the highest possible amount of collections for the least amount spent is highly sought. With improved automation and new ideas to streamline, we hope to meet this target.

**Target #6:** Reduce cases with no collections for one year or more to 12% or less of cases eligible for collections.

**Measure #6:** Percentage of cases with no collections for one year or more versus total cases eligible for collection.

**Cases With No Collections for 1 Year or More**

| Fiscal Year | Percentage |
|-------------|------------|
| FY 2002     | NA         |
| FY 2003     | NA         |
| FY 2004     | 23%        |
| FY 2005     | 12.92%     |
| FY 2006     | 12.64%     |

**Analysis of results and challenges:** A recent analysis of outstanding collections showed a relationship between those cases with the highest outstanding balances and those with no recent collections. A portion of the cases with no collections for one year or more are designated as "hard to collect". To address the problem of hard to collect cases, in October, 2005, CSSD assembled a specialized team of child support specialists. It is anticipated that in FY2007 the percentage of cases with no collections will begin to decrease as more of the "hard to collect" cases are handled by this team. As of June 30, 2006, CSSD had begun collection efforts on 337 hard to collect cases. Collections have been made on 133 of those cases totaling \$192,349.

**A2: Strategy - Improve the efficiency of distributing child support.**

**Target #1:** Increase recipients on automated distribution to 60%.

**Measure #1:** Percentage of recipients receiving automated distribution.

**Recipients Receiving Automated Distribution**

| Fiscal Year | Percentage |
|-------------|------------|
| FY 2003     | 55%        |
| FY 2004     | 48.7%      |
| FY 2005     | 52.09%     |
| FY 2006     | 55.52%     |

**Analysis of results and challenges:** In addition to improving the timeliness of distribution of the funds to recipients and the ease with which they can access their money, automated distribution greatly reduces the costs associated with disbursing money. The implementation of the electronic payment card pilot project continues to be a major step in achieving this target.

**Target #2:** Decrease money on hold, less those categories that are out of the division's control to less than 0.4% (four-tenths of a percent).

**Measure #2:** Percentage of money on hold, less those categories that the division cannot or should not affect.

**Percentage of Money on Hold**

| Fiscal Year | Percentage |
|-------------|------------|
| FY 2002     | 0.87%      |
| FY 2003     | 1.089%     |
| FY 2004     | 0.9%       |
| FY 2005     | 0.548%     |
| FY 2006     | 0.405%     |

**Analysis of results and challenges:** The decrease of undistributed collections continues to be a national priority for the federal Office of Child Support. The division will continue to closely monitor money on hold categories and distribute all monies received as quickly as possible.

**A3: Strategy - Improve customer service.**

**Target #1:** Wait times for telephone calls are reduced to an average of 3 minutes.

**Measure #1:** Average telephone call wait times.

**Average Minutes of Telephone Call Wait Time**

| Fiscal Year | Average Minutes |
|-------------|-----------------|
| FY 2002     | 3.8             |
| FY 2002     | 2.13            |
| FY 2004     | 2.6             |
| FY 2005     | 3.0             |
| FY 2006     | 3.6             |

**Analysis of results and challenges:** FY2006 saw an increase in wait times for customers on average of approximately 0.6 seconds from FY2005. The division attributes this increase to the reduction of six (6) customer service representatives in the field offices as well as turnover in these customer service positions. The division will continue to work on reducing wait times as much as possible, however unless we assign additional resources to customer service, wait times will continue to be in the three minute timeframe.

## Component: Mental Health Trust Operations

### Contribution to Department's Mission

The mission of the Alaska Mental Health Trust Authority is to administer the Alaska Mental Health Trust as a perpetual trust and to ensure a comprehensive and integrated mental health program to improve the lives of beneficiaries.

### Core Services

- Manage Trust cash and non-cash assets.
- Provide leadership in advocacy and planning around beneficiary related issues.
- Ensure funding of a comprehensive integrated mental health program.
- Spend Trust income to improve the lives and circumstances of Trust beneficiaries.

| End Results   | Strategies to Achieve Results  |
|---|--|
| <p><b>A: Increase quality of life for Trust beneficiaries.</b></p> <p><u>Target #1:</u> At least 10% of "In-Step Plan" indicators will show improvement.</p> <p><u>Measure #1:</u> Percentage of "In-Step Plan" indicators showing improvement.</p> | <p><b>A1: Maximize revenues from Trust cash assets.</b></p> <p><u>Target #1:</u> \$1 million in interest income.</p> <p><u>Measure #1:</u> Percentage of \$1 million in interest income generated.</p> <p><u>Target #2:</u> Maintain Reserve account at 400%.</p> <p><u>Measure #2:</u> Percentage of reserve account maintained.</p> <p><u>Target #3:</u> 5% total real return on Trust Fund at Alaska Permanent Fund Corporation (APFC).</p> <p><u>Measure #3:</u> Total real return as set by APFC.</p> <p><u>Target #4:</u> 1.5% return on intermediate fund invested at Treasury.</p> <p><u>Measure #4:</u> Actual rate of return on intermediate fund invested at Treasury.</p> <p><b>A2: Maximize revenues from Trust non-cash assets.</b></p> <p><u>Target #1:</u> Trust Land Office will meet annual spendable income goal.</p> <p><u>Measure #1:</u> Amount of Trust Land Office spendable income earned.</p> <p><u>Target #2:</u> Trust Land Office will meet annual principal revenue goal.</p> <p><u>Measure #2:</u> Amount of Trust Land Office principal revenue earned.</p> <p><u>Target #3:</u> Invest at least \$300,000 of Trust principal in Trust land enhancement and parcel development programs.</p> <p><u>Measure #3:</u> Amount of Trust principal invested in Trust land enhancement and parcel development programs.</p> <p><b>A3: Spend Trust income to improve the lives and circumstances of Trust beneficiaries.</b></p> |

|  |   |
|--|---|
|  | <p><u>Target #1:</u> Budget 3.5% of Trust Funds annually for programmatic spending as set by Asset Management Policy approved by Board of Trustees.</p> <p><u>Measure #1:</u> Percent of Trust Fund spent annually for MHTAAR projects approved by Trustees.</p> <p><u>Target #2:</u> At least 50% of MHTAAR funded projects and 80% of Small Projects funded with Trust Income will report beneficiary-related performance outcome measures.</p> <p><u>Measure #2:</u> Percent of Trust Income funded projects that report beneficiary-related performance outcome measures.</p> <p><b>A4: Leverage Trust funds with funds from private corporations, foundations and other sources for beneficiary related projects.</b></p> <p><u>Target #1:</u> Leverage \$10.00 for every \$1.00 MHTAAR in projects designated as partnering projects.</p> <p><u>Measure #1:</u> Dollars leveraged for every dollar of MHTAAR.</p> <p><u>Target #2:</u> Generate 12 partners for MHTAAR partnering projects outside of state government.</p> <p><u>Measure #2:</u> Percent of target met.</p> <p><b>A5: Provide leadership in advocacy and planning around improving lives of beneficiaries.</b></p> <p><u>Target #1:</u> Work to develop/change at least two policies/programs to improve/protect the lives of beneficiaries.</p> <p><u>Measure #1:</u> Number of policies developed/changed that improve/protect the lives of beneficiaries.</p> |
|--|---|

### Major Activities to Advance Strategies

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Produce monthly financial reports for Trustees.</li> <li>• Calculate and complete annual payout.</li> <li>• Coordinate cash management with Alaska Permanent Fund Corporation and Department of Revenue's Treasury Division.</li> <li>• Prepare and distribute annual report.</li> <li>• Support the Board of Trustees and their committees.</li> <li>• Support and provide oversight for four focus area implementation workgroups in their strategic planning.</li> <li>• Provide efficient and accountable Trust Office Administration.</li> <li>• Work with Trust advisory bodies, consumers and provider groups to access needs of beneficiaries.</li> <li>• Conduct annual budget recommendations planning process (BRPP) with advisory groups and statutory advisors.</li> <li>• Develop budget recommendations from the BRPP for the Governor and Legislative Budget &amp; Audit Committee by Sept. 15 for the Mental Health budget bill.</li> </ul> | <ul style="list-style-type: none"> <li>• Work with Governor and Legislature to finalize funding in the Mental Health budget bill.</li> <li>• Assure implementation of funding as approved by Trustees.</li> <li>• Develop partnerships and other independently administered projects to leverage funds.</li> <li>• Develop funding agreements and performance measures for Trust funding projects; monitor and report results and impacts to Trustees.</li> <li>• Work with Trust advisory bodies, departments, consumers and provider groups to evaluate effectiveness of MHTAAR funded projects.</li> <li>• Partner with DHSS to develop Comprehensive Integrated Mental Health Plan and keep updated.</li> <li>• Provide leadership among partners through sponsoring collaborative meetings between staff and board members of advisory groups and statutory advisors.</li> <li>• Provide technical assistance for and participate on the Steering Committee for Coordinated Communications Plan.</li> <li>• Work with partners to fund and build a new detox</li> </ul> |
|---|--|

## Major Activities to Advance Strategies

center in Fairbanks.

## FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$2,395,900

### Personnel:

|              |           |
|--------------|-----------|
| Full time    | 12        |
| Part time    | 0         |
| <b>Total</b> | <b>12</b> |

## Performance Measure Detail

### A: Result - Increase quality of life for Trust beneficiaries.

**Target #1:** At least 10% of "In-Step Plan" indicators will show improvement.

**Measure #1:** Percentage of "In-Step Plan" indicators showing improvement.

**Analysis of results and challenges:** State statute requires an integrated comprehensive mental health plan. The "Moving Forward" is done in partnership with The Trust by Department of Health and Social Services (DHSS) and is updated annually by a staff person who is funded partially by The Trust.

In FY2006, DHSS released a new updated Comprehensive Integrated Mental Health Program Plan in which most of the indicators changed from the previous version, making it impossible to measure the difference from the last update of the old plan in 2003. There were no updates between 2003 and the end of 2006 when the new indicators were completed in the new plan entitled "Moving Forward". DHSS is responsible for collecting the updates on indicators and this was not done from 2003-2005. This measure will now begin using the new indicators. Indicators measure Results Areas including Health, Safety, Living with Dignity, and Economic Security. This new plan also includes a review of current services and gaps analysis, an explanation of current initiatives to fill service gaps, and a discussion of emerging issues and trends.

### A1: Strategy - Maximize revenues from Trust cash assets.

**Target #1:** \$1 million in interest income.

**Measure #1:** Percentage of \$1 million in interest income generated.

#### Percentage of \$1 Million Interest Income Earned

| Fiscal Year | Interest Earned | % of \$1 Million |
|-------------|-----------------|------------------|
| FY 2004     | 1,068,566       | 106%             |
| FY 2005     | 923,747         | 92.4%            |
| FY 2006     | 937,996         | 94%              |

**Analysis of results and challenges:** The interest earned is from the Trust account that holds funds for current year expenditures by state agencies. The interest earned during each year is contingent on the interest rate earned by the state account. Investment funds are held at the Department of Revenue, Treasury Division or at the Alaska Permanent Fund Corporation.



**Target #2:** Maintain Reserve account at 400%.

**Measure #2:** Percentage of reserve account maintained.

**Budget Reserve Account Maintained**

| Fiscal Year | % Reserve Maintained | % of Goal |
|-------------|----------------------|-----------|
| FY 2004     | 646%                 | 162%      |
| FY 2005     | 568%                 | 142%      |
| FY 2006     | 355%                 | 89%       |

*Percentage is calculated on the annual payout as of the end of June each year.*

**Analysis of results and challenges:** The Trust used a consultant to recommend methods to assure consistent funding levels for the Integrated Comprehensive Mental Health Program and a 400% reserve account was recommended and adopted by the Board of Trustees. This reserve account has proven essential over the last three years during the downturn in the investment market to keeping funding available when other philanthropy organizations and funding corporations from the State of Alaska have reduced funding. The Trust was involved in investments that did not earn the projected interest anticipated which caused this target not to be met.

**Target #3:** 5% total real return on Trust Fund at Alaska Permanent Fund Corporation (APFC).

**Measure #3:** Total real return as set by APFC.

**Total Real Return on Trust Fund by APFC**

| Fiscal Year | Rate of Return |
|-------------|----------------|
| FY 2004     | 11.9%          |
| FY 2005     | 7.49%          |
| FY 2006     | 7.43%          |

**Analysis of results and challenges:** APFC's current goal is to earn about 5% over the rate of inflation in the long run.

**Target #4:** 1.5% return on intermediate fund invested at Treasury.

**Measure #4:** Actual rate of return on intermediate fund invested at Treasury.

**Actual Rate of Return on Intermediate Fund**

| Fiscal Year | Rate of Return |
|-------------|----------------|
| FY 2004     | 1.829%         |
| FY 2005     | 3.05%          |
| FY 2006     | 1.6%           |

**Analysis of results and challenges:** The Trust has contracted with Callun and Associates to recommend investment strategies to increase the rate of return on the funds held at the Treasury Division. The Trust voted to change the investment mixture and this target will be increased for FY07 and beyond.

The real return rate is set annually by the APFC. The Trust Principal account is mandated in statute to be managed by the APFC.

**A2: Strategy - Maximize revenues from Trust non-cash assets.**

**Target #1:** Trust Land Office will meet annual spendable income goal.

**Measure #1:** Amount of Trust Land Office spendable income earned.

**Trust Land Office Spendable Income Earned**

| Fiscal Year | Income Goal             | Income Earned |
|-------------|-------------------------|---------------|
| FY 2004     | \$2.4 million           | \$2.6 million |
| FY 2005     | \$2.6 million           | \$3.0 million |
| FY 2006     | \$2.6 million           | \$3.6 million |
| FY 2007     | Forecast: \$2.6 million |               |

**Analysis of results and challenges:** The Spendable Income goal is established each fiscal year and is based on the approved Business Plan. Actual revenues received are predicated on the timing for implementing multi-year transactions. Revenue might be received in a different fiscal year than anticipated based on economic factors and business plans of our partners.

**Target #2:** Trust Land Office will meet annual principal revenue goal.

**Measure #2:** Amount of Trust Land Office principal revenue earned.

**Trust Land Office Principal Earned**

| Fiscal Year | Principal Goal          | Principal Earned |
|-------------|-------------------------|------------------|
| FY 2004     | \$4.4 million           | \$8.5 million    |
| FY 2005     | \$5.3 million           | \$14.6 million   |
| FY 2006     | \$5.7 million           | \$3.6 million    |
| FY 2007     | Forecast: \$5.0 million |                  |

**Analysis of results and challenges:** The Principal Revenue goal is established each fiscal year and is based on the approved Business Plan. Revenue might be received in a different fiscal year than anticipated based on economic factors and business plans of our partners. The shortfall in revenue for FY06 can be attributed to several multi-year transactions that were completed ahead of schedule in FY05 and were accounted for in that year.

**Target #3:** Invest at least \$300,000 of Trust principal in Trust land enhancement and parcel development programs.

**Measure #3:** Amount of Trust principal invested in Trust land enhancement and parcel development programs.

**Trust Principal Invested in Land Enhancements or Acquisitions**

| Fiscal Year | Enhancements | Acquisitions | YTD Total   |
|-------------|--------------|--------------|-------------|
| FY 2004     | \$270,000    | \$779,900    | \$1,049,900 |
| FY 2005     | \$594,000    | 0            | \$594,000   |
| FY 2006     | \$34,000     | 0            | \$34,000    |

**Analysis of results and challenges:** The Trust Board of Trustees have set resource management policies which include definitions of spendable income.

### A3: Strategy - Spend Trust income to improve the lives and circumstances of Trust beneficiaries.

**Target #1:** Budget 3.5% of Trust Funds annually for programmatic spending as set by Asset Management Policy approved by Board of Trustees.

**Measure #1:** Percent of Trust Fund spent annually for MHTAAR projects approved by Trustees.

#### Trust Income Allocated to MHTAAR Projects and Percentage of Trust Fund Payout

| Fiscal Year | Total Payout | Land Income | Interest Income | Other*      | YTD Total    | % of Payout |
|-------------|--------------|-------------|-----------------|-------------|--------------|-------------|
| FY 2004     | \$11,039,434 | \$2,532,089 | \$1,219,856     | \$3,944,649 | \$18,736,028 | 3.5%        |
| FY 2005     | \$12,398,993 | \$2,623,101 | \$1,068,566     | \$2,404,691 | \$18,495,351 | 3.5%        |
| FY 2006     | \$14,607,471 | \$3,009,923 | \$923,747       | \$3,941,634 | \$22,482,775 | 3.75%       |

\*Other funds:

FY2006 - Prior year lapsed funds

FY2005 - Prior year lapsed funds

FY2004 - \$500,000 unspent Trust Land Office CIP funds returned and \$3,444,649.22 prior year lapsed funds

**Analysis of results and challenges:** The Trustees set a payout rate, interest income and land income rates that will maximize available income while ensuring a perpetual Trust and keep the annual revenues for funding the integrated comprehensive mental health program secure during sustained market downturns.

**Target #2:** At least 50% of MHTAAR funded projects and 80% of Small Projects funded with Trust Income will report beneficiary-related performance outcome measures.

**Measure #2:** Percent of Trust Income funded projects that report beneficiary-related performance outcome measures.

#### Trust Funded Projects Reporting Beneficiary-related Performance Outcomes

| Fiscal Year | MHTAAR Projects | Small Projects |
|-------------|-----------------|----------------|
| FY 2004     | 85%             | 100%           |
| FY 2005     | 80%             | 100%           |
| FY 2006     | 85%             | 100%           |

**Analysis of results and challenges:** FY2006 Result: 100% of Small Projects have beneficiary-related performance measures written into their funding agreements. 80% of the 100 MHTAAR/Authority grants have performance outcome measures directly serving beneficiaries written into their grants. The other 15% of projects were focused on infrastructure development and training and will benefit beneficiaries in the long term performance outcomes of the projects by providing trained treatment providers and facilities to meet needs in coming years.

The Trust is dedicated to assuring that its resources are expended to improve the lives of Trust beneficiaries. Each project approved and funded with Trust Income is required to set performance measures and to report at the end of the first 6 months and then again annually at the end of each funded year, with a final report done a year after the termination of any project. Each project is measured against the impact it will have on improving the lives of beneficiaries or creating the system capacity to improve beneficiary lives.

#### A4: Strategy - Leverage Trust funds with funds from private corporations, foundations and other sources for beneficiary related projects.

**Target #1:** Leverage \$10.00 for every \$1.00 MHTAAR in projects designated as partnering projects.

**Measure #1:** Dollars leveraged for every dollar of MHTAAR.

##### Dollars Leveraged for Every Dollar of MHTAAR

| Fiscal Year | Partnerships Funded | Non-state Matching Funds | \$ per Trust \$ |
|-------------|---------------------|--------------------------|-----------------|
| FY 2004     | \$682,203           | \$4,450,150              | \$6.52          |
| FY 2005     | \$1,117,530         | \$19,937,374             | \$17.84         |
| FY 2006     | \$630,948           | \$5,540,725              | \$8.80          |

**Analysis of results and challenges:** The Trust has been focusing on increasing resources that help to improve the lives of Trust beneficiaries. A proven way the philanthropic community across the nation does this is through leveraging funds with other resources to accomplish mutual goals. The Trust has been increasing leveraging activity each year and continues to place an emphasis on partnering with local, state and national partners.

**Target #2:** Generate 12 partners for MHTAAR partnering projects outside of state government.

**Measure #2:** Percent of target met.

##### Non-state Partnerships Funded

| Fiscal Year | # Partners | % of Target |
|-------------|------------|-------------|
| FY 2004     | 29         | 225%        |
| FY 2005     | 34         | 283%        |
| FY 2006     | 10         | 83%         |

*Target: 12 partners outside of state government*

**Analysis of results and challenges:** The Trust has been focusing on increasing resources that help to improve the lives of Trust beneficiaries. A proven way the philanthropic community across the nation does this is through leveraging funds with other resources to accomplish mutual goals. The Trust has been increasing leveraging activity each year and continues to place an emphasis on partnering with local, state and national partners.

#### A5: Strategy - Provide leadership in advocacy and planning around improving lives of beneficiaries.

**Target #1:** Work to develop/change at least two policies/programs to improve/protect the lives of beneficiaries.

**Measure #1:** Number of policies developed/changed that improve/protect the lives of beneficiaries.

**Analysis of results and challenges:** FY2006 Result:

1. Organized a workforce development task force to study workforce needs around beneficiary services and began planning strategies to address the identified needs. Workforce development is now a proposed focus area for The Trust for FY2008.
2. Lead an effort to pass the adult dental Medicaid bill in the Legislature.
3. Lead group to develop housing trust proposal for state.
4. Sponsored Coordinated Advocacy Summit of six advisory groups for The Trust where a joint advocacy agenda was developed.
5. Funded new advocacy position within the joint staff of the Alaska Mental Health Board/Alaska Board of Alcohol and Drug Abuse.

The Trust is tasked in statute with providing leadership to improve systems that serve Trust beneficiaries. The challenge for the next few years will be to advocate for healthy public policy around beneficiaries issues during times of government reorganizations and downsizing.

The Trust continued its commitment to investment in four areas: Housing, Bring the Kids Home, Disability

Justice, and Trust Beneficiary Group Initiatives. The plan for each area can be found at [www.mhtrust.org](http://www.mhtrust.org). The Trust will continue to facilitate the implementation of the strategic plans through collaborative workgroups over the next few years. The Trust has also decided to lead a planning effort around workforce development and began a coordinated workforce review of current labor needs and future forecasts of needs. The planning process is now underway to make workforce development a fifth focus area beginning in FY2008.

The Trust is working with all of its partners to improve evaluation and data collection in order to better meet its statutory mandate to report on the status of the health of Trust beneficiaries and the performance of the comprehensive mental health program. This will continue to be a focus in the future to assure sound information on which to make funding decisions and for making funding recommendations to the state.

## Component: Long Term Care Ombudsman Office

### Contribution to Department's Mission

The mission of Alaska's Office of the Long Term Care Ombudsman is to promote and protect the health, safety, welfare and rights of Alaskan seniors, age 60 and over.

### Core Services

- Complaint investigations
- Advocacy
- Review, develop and comment on public safety
- Education

| End Results  | Strategies to Achieve Results  |
|--|--|
| <p><b>A: Seniors who reside in long term care (LTC) settings will be protected from poor quality of care, environments and/or practices which jeopardize their safety, and from violations to their rights.</b></p> <p><u>Target #1:</u> Complaints regarding resident quality of care from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.</p> <p><u>Measure #1:</u> Number of complaints received regarding LTC residents' quality of care.</p> <p><u>Target #2:</u> Complaints regarding violations of residents' rights from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.</p> <p><u>Measure #2:</u> Number of complaints received regarding violations of LTC residents' rights.</p> <p><u>Target #3:</u> Complaints regarding quality of life issues from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.</p> <p><u>Measure #3:</u> Number of complaints received regarding LTC quality of life issues.</p> | <p><b>A1: Identify, investigate and resolve complaints made by or on behalf of seniors residing in LTC settings.</b></p> <p><u>Target #1:</u> 100% of OLTCO staff and volunteers will be trained to identify situations regarding quality of care, and how to elicit information from seniors, their loved ones, and LTC staff in order to identify and resolve complaints or concerns.</p> <p><u>Measure #1:</u> Percentage of OLTCO staff and volunteers who receive initial and on-going training.</p> <p><u>Target #2:</u> 100% of all complaints regarding residents' rights received by the OLTCO will be investigated and education provided to care providers on resident rights.</p> <p><u>Measure #2:</u> Percentage of complaints investigated regarding LTC residents' rights.</p> <p><u>Target #3:</u> 100% of all complaints regarding quality of life issues received by the OLTCO will be investigated and education provided to care givers on quality of life issues.</p> <p><u>Measure #3:</u> Percentage of complaints investigated regarding quality of life issues.</p> <p><b>A2: Develop and support the creation and maintenance of Family and Resident Councils.</b></p> <p><u>Target #1:</u> 100% of Assisted Living and Nursing Homes with 50 or more residents will have a Resident and/or Family Council.</p> <p><u>Measure #1:</u> Percentage of Assisted Living and Nursing Homes with 50 or more residents that have a Resident and/or Family Council.</p> |
| End Results  | Strategies to Achieve Results  |
| <p><b>B: The rights, interests, and well-being of Alaskan seniors, age 60 and older, will be promoted and protected.</b></p>   | <p><b>B1: Ensure the needs, interests, and opinions of Alaskan seniors are conveyed to policy makers.</b></p> <p><u>Target #1:</u> 100% of proposed legislation affecting Alaskan</p>  |

|  |   |
|--|---|
| <p><u>Target #1:</u> Complaints from or on behalf of Alaskan seniors, age 60 or over are reduced by 10% compared to the previous fiscal year.</p> <p><u>Measure #1:</u> Number of complaints received in all categories.</p> | <p>seniors will be analyzed to evaluate its potential negative or positive impact to seniors.</p> <p><u>Measure #1:</u> Percentage of proposed pieces of legislation that are analyzed for potential impacts on Alaskan seniors.</p> <p><u>Target #2:</u> A majority of legislators or their staff will be contacted by the OLTCO in order to develop a working relationship, and to convey the needs, interests, and opinions of Alaskan seniors.</p> <p><u>Measure #2:</u> Percentage of legislators or their staff who are contacted by the OLTCO.</p> <p><b>B2: The OLTCO will actively advocate to protect the rights of seniors by educating care providers, nursing homes and assisted living facilities on issues that could potentially deprive seniors of their rights, quality of life and quality of care.</b></p> <p><u>Target #1:</u> Attendees of OLTCO training sessions, conferences and workshops will represent at least 75% of licensed nursing and assisted living homes statewide.</p> <p><u>Measure #1:</u> Percentage of licensed nursing and assisted living homes that send staff to OLTCO training sessions, conferences or workshops.</p> |
|--|---|

### Major Activities to Advance Strategies

|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Each complaint received by the OLTCO will be treated as an intake, or referred to the appropriate agency.</li> <li>• Investigate each complaint by: on-site investigation; telephone and/or record review; monitoring other agency's actions</li> <li>• Input each complaint being investigated or monitored by OLTCO staff into the Ombudsmanager database.</li> <li>• Provide each OLTCO staff member and volunteer with initial training concerning the OLTCO program and its activities.</li> <li>• Upon successful completion and demonstration of initial training, each OLTCO staff member and volunteer will be certified by the OLTCO.</li> <li>• Provide each OLTCO staff member and volunteer with on-going training as appropriate, and as resources allow.</li> <li>• Identify assisted living and nursing homes with 50 or more residents and determine if there is an existing Family or Resident Council.</li> </ul> | <ul style="list-style-type: none"> <li>• Provide information to each assisted living and nursing home with 50 or more residents on creating a Family and/or Resident Council.</li> <li>• Annually contact each assisted living and nursing home with a Resident and/or Family Council to assess how they're doing.</li> <li>• Review each piece of proposed legislation to determine if there is any potential impact to Alaskan seniors.</li> <li>• Analyze each piece of proposed legislation which has been identified as having a potential impact to Alaskan seniors.</li> <li>• Contact each member of the legislature, or their staff.</li> <li>• Identify needed legislation or changes to existing legislation, and create or comment on as needed.</li> <li>• Participate in groups, boards, and committees to ensure the interests, needs, and opinions of older Alaskans are represented.</li> </ul> |
|---|--|

## FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$545,100

## Personnel:

|              |          |
|--------------|----------|
| Full time    | 4        |
| Part time    | 0        |
| <b>Total</b> | <b>4</b> |

## Performance Measure Detail

**A: Result - Seniors who reside in long term care (LTC) settings will be protected from poor quality of care, environments and/or practices which jeopardize their safety, and from violations to their rights.**

**Target #1:** Complaints regarding resident quality of care from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.

**Measure #1:** Number of complaints received regarding LTC residents' quality of care.

## Quality of Care Complaints

| Fiscal Year | # of Complaints | % Change from Prior Year |
|-------------|-----------------|--------------------------|
| FY 2004     | 84              | n/a                      |
| FY 2005     | 55              | -34.52%                  |
| FY 2006     | 53              | -3.64%                   |
| FY 2007     | Forecast: <50   |                          |

**Analysis of results and challenges:** Quality of care complaints involve negligence, lack of attention and poor quality in the care of the resident. Examples of these complaints include failure to respond to call lights when residents ring for assistance, incomplete personal care plans, improper medication management, poor personal hygiene, pressure (bed) sores, lack of pain management, improper toileting, etc. Typically, most of the complaints received involved improper medication management (failing to document doses given, duplication of medication) and personal hygiene not being addressed by staff.

The number of complaints received regarding poor quality of care of elders residing in long term care homes (nursing homes and assisted living homes) dropped from 84 in FY2004 to 53 in FY2006. It is believed that the OLTCO is doing an increasingly better job of educating long term care homes to improve their quality of care of elders and these numbers reflect that. However, the OLTCO over the past year and a half has made an aggressive effort to conduct outreach visits to elders around the state, especially in rural Alaska. Consequently, as the OLTCO makes elders more aware of the OLTCO and its ability to resolve their complaints once received, the office anticipates the number of complaints to remain about this level. The goal for FY2007 is a target of 50 complaints or less.



**Target #2:** Complaints regarding violations of residents' rights from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.

**Measure #2:** Number of complaints received regarding violations of LTC residents' rights.

#### Violations of Residents' Rights Complaints

| Fiscal Year | # of Complaints | % Change from Prior Year |
|-------------|-----------------|--------------------------|
| FY 2004     | 64              | n/a                      |
| FY 2005     | 67              | 4.69%                    |
| FY 2006     | 53              | -20.90%                  |
| FY 2007     | Forecast: <50   |                          |

**Analysis of results and challenges:** Complaints regarding the violation of residents' rights include physical, verbal, or sexual abuse; financial exploitation; lack of information to the resident; not treating the resident with dignity and respect; improper admission/discharge or eviction; loss of personal property; and misuse of personal funds.

In FY 2006 the number of violation of rights complaints dropped from 67 to 53. It is believed this is a result of the OLTCO doing a better job of educating long term care homes on the increased rights an individual has when they become a resident of a long term care home (nursing home or assisted living home). The goal for FY2007 is a further 17 % reduction of last year's target of 60 or less to 50 complaints or fewer.

**Target #3:** Complaints regarding quality of life issues from or on behalf of seniors residing in LTC are reduced by 10% compared to the previous fiscal year.

**Measure #3:** Number of complaints received regarding LTC quality of life issues.

#### Quality of Life Complaints

| Fiscal Year | # of Complaints | % Change from Prior Year |
|-------------|-----------------|--------------------------|
| FY 2004     | 42              | n/a                      |
| FY 2005     | 42              | 0.00%                    |
| FY 2006     | 43              | 2.38%                    |
| FY 2007     | Forecast: 38    |                          |

**Analysis of results and challenges:** Quality of life complaints involve social services for the residents and social interaction of residents. Examples are lack of activities appropriate for each resident, resident conflict, lack of transportation, lack of social services or failure to include social interaction. This category also includes dietary issues such as quantity, quality, choice, temperature, etc. of the meals served the residents, snack availability, therapeutic dietary issues and the environment in which the resident lives. By far, dietary issues account for most of the complaints in this category and are usually the top complaint of all categories of complaints.

The number of complaints regarding the quality of life of residents in long term care homes (nursing homes and assisted living homes) has remained stable over the past three years, however it is believed the OLTCO has made some progress in this complaint area. As the OLTCO has increased its outreach to elders, elders and their loved ones are more prone to notify the OLTCO of concerns involving quality of life, thus explaining the slight increase in complaints in FY2006. However, the OLTCO must, in the next year, give special emphasis and education to the long term care homes on this category of complaints, especially concerning elder resident dietary issues, which many elders consider the high point of their day. Of the total 43 complaints in this category, 21 or 49% involved dietary issues such as lack of variety of food, quality and quantity of food, temperature of food, etc. The goal for FY2007 remains at 38, the same as the previous year.

**A1: Strategy - Identify, investigate and resolve complaints made by or on behalf of seniors residing in LTC settings.**

**Target #1:** 100% of OLTCO staff and volunteers will be trained to identify situations regarding quality of care, and how to elicit information from seniors, their loved ones, and LTC staff in order to identify and resolve complaints or concerns.

**Measure #1:** Percentage of OLTCO staff and volunteers who receive initial and on-going training.

**Quality of Care Training**

| Fiscal Year | Percent Trained |
|-------------|-----------------|
| FY 2004     | 100%            |
| FY 2005     | 100%            |
| FY 2006     | 100%            |
| FY 2007     | Forecast: 100%  |

**Analysis of results and challenges:** 100% of staff and volunteers are trained. Informal quality of care training was provided to care givers on a case by case basis.

**Target #2:** 100% of all complaints regarding residents' rights received by the OLTCO will be investigated and education provided to care providers on resident rights.

**Measure #2:** Percentage of complaints investigated regarding LTC residents' rights.

**Violations of Rights Complaints**

| Fiscal Year | % Investigated |
|-------------|----------------|
| FY 2004     | 100%           |
| FY 2005     | 100%           |
| FY 2006     | 100%           |
| FY 2007     | Forecast: 100% |

**Analysis of results and challenges:** 100% of all complaint cases opened by the OLTCO were investigated. Informal training was provided to care givers on a case by case basis regarding LTC residents' rights.

**Target #3:** 100% of all complaints regarding quality of life issues received by the OLTCO will be investigated and education provided to care givers on quality of life issues.

**Measure #3:** Percentage of complaints investigated regarding quality of life issues.

**Quality of Life Complaints**

| Fiscal Year | Percent Investigated |
|-------------|----------------------|
| FY 2004     | 100%                 |
| FY 2005     | 100%                 |
| FY 2006     | 100%                 |
| FY 2007     | Forecast: 100%       |

**Analysis of results and challenges:** 100% of all complaint cases opened by the OLTCO were investigated. Informal training was provided to care givers on a case by case basis regarding quality of life issues.

## A2: Strategy - Develop and support the creation and maintenance of Family and Resident Councils.

**Target #1:** 100% of Assisted Living and Nursing Homes with 50 or more residents will have a Resident and/or Family Council.

**Measure #1:** Percentage of Assisted Living and Nursing Homes with 50 or more residents that have a Resident and/or Family Council.

### Homes with Resident and/or Family Councils

| Fiscal Year | % of Homes     |
|-------------|----------------|
| FY 2006     | 100%           |
| FY 2007     | Forecast: 100% |

*This was a new measure in FY2006*

**Analysis of results and challenges:** 100% of Assisted Living Homes with 50 or more residents have either resident and/or family councils.

## B: Result - The rights, interests, and well-being of Alaskan seniors, age 60 and older, will be promoted and protected.

**Target #1:** Complaints from or on behalf of Alaskan seniors, age 60 or over are reduced by 10% compared to the previous fiscal year.

**Measure #1:** Number of complaints received in all categories.

### Complaints - All Categories

| Fiscal Year | Quality of Care | Quality of Life | Residents' Rights | Other         | Total Complaints | % Change from Prior Year |
|-------------|-----------------|-----------------|-------------------|---------------|------------------|--------------------------|
| FY 2004     | 84              | 42              | 64                | 37            | 227              | n/a                      |
| FY 2005     | 55              | 42              | 67                | 59            | 223              | -1.76%                   |
| FY 2006     | 53              | 43              | 53                | 53            | 202              | -9.42%                   |
| FY 2007     | Forecast: <50   | Forecast: 38    | Forecast: <50     | Forecast: <44 | Forecast: 182    |                          |

**Analysis of results and challenges:** Of the total complaints received, the three largest categories of complaints pertain to the quality of care, quality of life and violation of residents' rights. Most of the quality of care complaints centered on improper medication management, personal hygiene, and improper handling or falls of residents. The quality of life complaints primarily involved dietary issues and physical environment factors such as disrepair, offensive odors, and cleanliness. Complaints regarding the violation of residents' rights included physical, verbal, or sexual abuse; financial exploitation; lack of information to the resident; not treating the resident with dignity and respect; improper admission/discharge or eviction; loss of personal property; and misuse of personal funds.

The reduction of total complaints between FY2005 and FY2006 is indicative of increased education and advocacy by the OLTCO to the long term care home providers on their responsibility to properly care for their residents. As discussed in Measure A Target 3 above, additional emphasis will be placed during the upcoming year on quality of life issues, especially dietary issues. The goal for FY2007 is a further reduction of 10% from FY2006 complaints or 182 total complaints.

## **B1: Strategy - Ensure the needs, interests, and opinions of Alaskan seniors are conveyed to policy makers.**

**Target #1:** 100% of proposed legislation affecting Alaskan seniors will be analyzed to evaluate its potential negative or positive impact to seniors.

**Measure #1:** Percentage of proposed pieces of legislation that are analyzed for potential impacts on Alaskan seniors.

### **Analysis of Legislation Affecting Alaskan Seniors**

| <b>Fiscal Year</b> | <b>% of Legislation</b> |
|--------------------|-------------------------|
| FY 2006            | 100%                    |
| FY 2007            | Forecast: 100%          |

**Analysis of results and challenges:** All 19 House bills and 9 Senate bills affecting seniors were reviewed. The OLTCO followed up with appropriate legislators regarding HB 399, Office of Elder Fraud & Assistance, concerning proposed placement of subject agency.

**Target #2:** A majority of legislators or their staff will be contacted by the OLTCO in order to develop a working relationship, and to convey the needs, interests, and opinions of Alaskan seniors.

**Measure #2:** Percentage of legislators or their staff who are contacted by the OLTCO.

### **Legislators and/or Staff Contacted by OLTCO**

| <b>Fiscal Year</b> | <b>% Contacted</b> |
|--------------------|--------------------|
| FY 2006            | 12%                |
| FY 2007            | Forecast: 100%     |

**Analysis of results and challenges:** During FY2006, seven legislators and/or legislative staff were contacted to develop a working relationship or to convey the needs of Alaskan seniors. For FY2007, the OLTCO will implement an informational campaign to raise awareness of their services to Alaskan seniors with the goal of contacting each legislator and/or their staff.

## **B2: Strategy - The OLTCO will actively advocate to protect the rights of seniors by educating care providers, nursing homes and assisted living facilities on issues that could potentially deprive seniors of their rights, quality of life and quality of care.**

**Target #1:** Attendees of OLTCO training sessions, conferences and workshops will represent at least 75% of licensed nursing and assisted living homes statewide.

**Measure #1:** Percentage of licensed nursing and assisted living homes that send staff to OLTCO training sessions, conferences or workshops.

**Analysis of results and challenges:** During FY2006, six training sessions for new Certified Nursing Assistants (CNA) were conducted at several CNA classes at Job Corps, OPAG, and UAA. It is estimated that 75 students received CNA training from the OLTCO. In addition, the OLTCO co-sponsored the "Alaska ACCORD" to train care providers on enhancements to the quality of life for elders. The training workshop was attended by 80 care providers from around the state. The LTCO also gave presentations at various conferences for providers addressing elder care issues such as the "Future of Aging" conference which had over 250 attendees, and the statewide Medicare Part D training which had 200 attendees.

In total, the OLTCO provided training for approximately 605 people, although the actual number may be less due to overlap from trainees attending more than one conference or training session. In Alaska there are currently 15 licensed nursing homes and 220 licensed assisted living homes, however data is not yet available to match care providers trained by the OLTCO with their employers. During FY2007, employment data will be collected from trainees and conference attendees to determine the number of licensed homes whose staff are benefiting from the educational efforts of the OLTCO.



**RDU/Component: AMBBA Operations***(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

The mission of the Alaska Municipal Bond Bank is to provide municipalities with financing options for capital projects.

**Core Services**

- Issue bonds to make loans to municipalities for capital projects at lower rates than the municipalities would incur elsewhere.
- Educate municipal employees and elected officials on various means of borrowing funds for capital projects.
- Help municipalities gain experience in financial markets and establish a positive credit history.
- Monitor opportunities to issue bonds to refinance existing debt.

| End Results   | Strategies to Achieve Results   |
|---|---|
| <p><b>A: Municipalities will lower their cost of financing.</b></p> <p><u>Target #1:</u> 100% of new financings will result in savings.</p> <p><u>Measure #1:</u> Percent of new financings that result in savings to the issuer divided by the total number of new financings.</p> <p><u>Target #2:</u> 100% of advance refinancing will result in at least 3% savings to the issuer.</p> <p><u>Measure #2:</u> Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.</p> <p><u>Target #3:</u> 100% of current refinancing will result in at least 2% savings to the issuer.</p> <p><u>Measure #3:</u> Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.</p> | <p><b>A1: Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.</b></p> <p><u>Target #1:</u> The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.</p> <p><u>Measure #1:</u> (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues</p> |

**FY2008 Resources Allocated to Achieve Results**

**FY2008 Component Budget: \$838,300**

**Personnel:**

|              |          |
|--------------|----------|
| Full time    | 1        |
| Part time    | 0        |
| <b>Total</b> | <b>1</b> |

## Performance Measure Detail

### A: Result - Municipalities will lower their cost of financing.

**Target #1:** 100% of new financings will result in savings.

**Measure #1:** Percent of new financings that result in savings to the issuer divided by the total number of new financings.

#### New Financings That Resulted in Savings

| Fiscal Year | Percent |
|-------------|---------|
| FY 2002     | 100%    |
| FY 2003     | 100%    |
| FY 2004     | 100%    |
| FY 2005     | 100%    |
| FY 2006     | 100%    |

**Analysis of results and challenges:** In each fiscal year shown all communities that borrowed funds through the Bond Bank are projected to be paying less debt service (realized savings) than they otherwise might have using other means of financing their project.

**Target #2:** 100% of advance refinancing will result in at least 3% savings to the issuer.

**Measure #2:** Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.

#### Advance Refinancings that Resulted in Savings of at Least 3%

| Fiscal Year | Percent |
|-------------|---------|
| FY 2002     | N/A     |
| FY 2003     | N/A     |
| FY 2004     | N/A     |
| FY 2005     | 100%    |
| FY 2006     | 100%    |

**Analysis of results and challenges:** There were no advance refinancings in FY2002, FY2003 or FY2004. In FY2005 there were two series of bonds issued that provided for advance refinancings of outstanding bonds for nine communities. In FY2006 one series of bonds provided advance refinancing savings in excess of 3% for one community. Advance refinancings are on a demand basis and dependent on market conditions therefore we have not projected activity for FY2007.

**Target #3:** 100% of current refinancing will result in at least 2% savings to the issuer.

**Measure #3:** Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.

#### Current Refinancings that Resulted in Savings

| Fiscal Year | Percent |
|-------------|---------|
| FY 2003     | 100%    |
| FY 2004     | 100%    |
| FY 2005     | 100%    |
| FY 2006     | 100%    |

**Analysis of results and challenges:** There was one current refinancing in FY2003, two in FY2004, one in FY2005 which resulted in a savings to the municipalities in excess of the requisite 2%, and one in FY2006. The refundings are on a demand basis and contingent on market conditions therefore we have not projected activity for FY2007.

**A1: Strategy - Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.**

**Target #1:** The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.

**Measure #1:** (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues

**Statewide Municipal Bond Deals Financed by AMBBA**

| Fiscal Year | Bonds Issued  | # of Loans | # of Communities | % of Dollars Issued | % of < A2 Communities |
|-------------|---------------|------------|------------------|---------------------|-----------------------|
| FY 2004     | \$113 million | 13         | 11               | 79%                 | 92%                   |
| FY 2005     | \$123 million | 18         | 14               | 61%                 | 93%                   |
| FY 2006     | \$77 million  | 14         | 11               | 56%                 | 92%                   |

**Analysis of results and challenges:** There is no central database where all debt issued statewide exists. The success of our collection of this data will depend largely on the willingness of the municipalities to respond to our requests for information. For FY2005 the bond bank issued \$123 million for 18 loans to 14 communities. This represented 61% of the total dollars issued, 95% of the borrowings for communities, and 93% of the total communities borrowing (for communities with less than an A2 rating). For FY2006 the bond bank issued \$77 million for 14 loans to 11 communities. This represented 56% of the total dollars issued and 92% of the total communities (for communities with less than an A2 rating).



## Component: AHFC Operations

### Contribution to Department's Mission

The mission of the Alaska Housing Finance Corporation is to provide Alaskans access to safe, quality, affordable housing.

### Core Services

Mortgage Loan Programs:

- Conventional Loans
- First-time Home Buyer Loans
- Veteran Loans
- Multi-family Housing Loans
- Rural Loans

Manage, operate, and maintain public housing and rental assistance programs;

Senior Housing Programs

Weatherization Program

State Energy Program (SEP)

Housing Strategy and Homeless Programs

State and Federal Housing Grants

Public Housing Programs

Low-income Tax Credit Program

Workshops and Training (i.e. Home Choice, grant writing, energy, etc.);

Access to Low-cost Capital.

| End Results  | Strategies to Achieve Results  |
|--|--|
| <b>A: Improve the degree to which statewide housing needs are met:</b><br><br><u>Target #1:</u> Increase the number of loans purchased by 5%<br><u>Measure #1:</u> Percent Change in the number of loans purchased<br><br><u>Target #2:</u> Maintain a "High Performer" rating on HUD's Section Eight Management Assessment Program (SEMAP)<br><u>Measure #2:</u> SEMAP score and rating | <b>A1: Provide programs and service that are responsive to the diverse housing needs statewide</b><br><br><u>Target #1:</u> Increase Multi-Family units by 10%<br><u>Measure #1:</u> Percent Change in Multi-Family units<br><br><b>A2: Increase and sustain homeownership</b><br><br><u>Target #1:</u> Increase AHFC's market share by 3%<br><u>Measure #1:</u> Percent change in AHFC's market share<br><br><b>A3: Increase special-needs housing</b><br><br><u>Target #1:</u> Increase Senior Housing units by 10%<br><u>Measure #1:</u> Percent change in Senior Housing units |
| End Results  | Strategies to Achieve Results  |
| <b>B: Improve the Corporation's strength and ability to increase housing programs and service:</b><br><br><u>Target #1:</u> Maintain the rating of "High Performer" on the Public Housing Assessment System (PHAS) score<br><u>Measure #1:</u> PHAS score and rating<br><br><u>Target #2:</u> Maintain AHFC's bond rating  | <b>B1: Manage finances to maximize AHFC's profits</b><br><br><u>Target #1:</u> Maintain or increase Adjusted Net Income<br><u>Measure #1:</u> Change in Adjusted Net Income<br><br><u>Target #2:</u> Maintain or increase Net Assets<br><u>Measure #2:</u> Change in Net Assets  |

## Measure #2: Bond ratings

## Major Activities to Advance Strategies

- The Planning department works with developers and service providers to administer the Grant and Tax Credit Programs throughout the state.
- AHFC provides Homebuyer Education classes, Public/Industry Education, HomeChoice/HomeOption and other industry workshops.
- The Rural Housing Division oversees the Weatherization Program and other energy programs throughout the state.
- The Public Housing Division administers the Housing Choice Voucher Program and works with landlords across the state.
- The Finance department prepares bond packages to finance mortgage purchases.
- The Public Housing Division oversees the management and oversight of AHFC owned low-income rental units.
- Mortgage Operations works with the mortgage industry to provide mortgage loan programs.

## FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$49,421,700

## Personnel:

|              |            |
|--------------|------------|
| Full time    | 323        |
| Part time    | 35         |
| <b>Total</b> | <b>358</b> |

## Performance Measure Detail

## A: Result - Improve the degree to which statewide housing needs are met:

**Target #1:** Increase the number of loans purchased by 5%**Measure #1:** Percent Change in the number of loans purchased

## Loans Purchased

| Fiscal Year | New Loans | % Change |
|-------------|-----------|----------|
| FY 2006     | 2,288     | (21)%    |
| FY 2005     | 3,117     | (35)%    |
| FY 2004     | 4,812     | (8)%     |
| FY 2003     | 6,029     | 30%      |
| FY 2002     | 4,353     | (15)%    |
| FY 2001     | 4,974     | 18%      |

**Analysis of results and challenges:** The loan activity has been declining for the following reasons:

- Interest rates have edged up; thus eliminating some borrowers from being able to qualify for a loan;
- The cost of housing has escalated; wherein, it is out of reach for many first time homebuyers, as well as others; and
- The industry has become considerably more competitive; in that, other investors/lenders offer a multitude of loan products, which AHFC does not. These loan products compete for the same borrowers that AHFC does.

AHFC has loan programs, not offered by other investors, such as those for home buyers that are low income, first time home buyers, veterans, desire energy efficient housing, and those that live in rural areas. Increasing the number of loans purchased improves the degree which statewide housing needs are met, which may not be otherwise. Additionally, increasing the loan portfolio increases AHFC's gross income by earning loan fees and

additional income through a higher interest rate spread than that available with other investments. These additional earnings can be recycled in purchasing additional loans. Loan activity is subject to such vagaries as interest rate fluctuations, the state of the economy, and competitive programs offered by national investors.

**Target #2:** Maintain a "High Performer" rating on HUD's Section Eight Management Assessment Program (SEMAP)

**Measure #2:** SEMAP score and rating

#### SEMAP Scores

| Fiscal Year | YTD Total | Target | Grade              |
|-------------|-----------|--------|--------------------|
| FY 2006     | 78%       | 100%   | Standard Performer |
| FY 2005     | 100%      | 100%   | High Performer     |
| FY 2004     | 90%       | 100%   | High Performer     |
| FY 2003     | 95%       | 100%   | High Performer     |
| FY 2002     | 96%       | 100%   | High Performer     |
| FY 2001     | 96%       | 100%   | High Performer     |
| FY 2000     | 100%      | 100%   | High Performer     |

**Analysis of results and challenges:** In FY06, 13 of the 14 indicators applied to AHFC in FY06 SEMAP scoring system. AHFC earned 105 of a possible 135 points. AHFC went from being a "High Performer" in FY05 to a "Standard Performer" in FY06 largely on its failure to achieve the required 95% lease-up/budget utilization rate required by measure #13.

An analysis of the points received from HUD is as follows:

- AHFC received the maximum score on ten of the 13 indicators;
- AHFC scored 15 of 20 points on the "reasonable rent," indicator #2, which measures whether approved unit rents are comparable to similar market rents;
- AHFC scored 5 of 10 points on the "HQS inspections," indicator #12, which measures whether annual inspections are conducted within one year of the previous inspection;
- AHFC scored 0 of 20 points on "lease-up," indicator #13, which measures whether the number of vouchers under lease, or expenses versus annual budget authority, is at least 95%. This is a pass/fail measure; AHFC's percentage was 93%.

SEMAP's scoring rates between 60% to 89% results in the "Standard Performer" designation.

AHFC is using HUD's Section Eight Management Assessment Program (SEMAP) rating (with 14 indicators) as a benchmark. SEMAP measures the performance of Public Housing Authorities, which administer the housing choice voucher program, which helps HUD monitoring and provide assistance to PHA programs that need the most improvement.

SEMAP indicators and point values are:

- \* Waiting List 15 points possible - 11%
- \* Reasonable Rent 20 points possible - 15%
- \* Adjusted Income 20 points possible - 15%
- \* A Schedule 5 points possible - 4%
- \* HQS QC 5 points possible - 4%
- \* HQS Enforcement 10 points possible - 7%
- \* Expanding Housing 5 points possible - 4%
- \* Payment Standards 5 points possible - 4%
- \* Annual Re-exams 10 points possible - 7%
- \* Correct Tenant Rent MTCS 5 points possible - 4%
- \* Pre-contract HQS 5 points possible 4%
- \* Annual HQS (0 Points possible)
- \* Lease-up 20 points possible - 15%
- \* FSS 10 points possible - 7%

135 total points possible = 100%

90-100% = High Performer  
 60-89% = Standard  
 0-60% = Troubled

### A1: Strategy - Provide programs and service that are responsive to the diverse housing needs statewide

**Target #1:** Increase Multi-Family units by 10%

**Measure #1:** Percent Change in Multi-Family units

#### Multi-Family Units

| Year | New Units | Total Units | % Change |
|------|-----------|-------------|----------|
| 2006 | 839       | 12,970      | 7%       |
| 2005 | 1,067     | 12,131      | 10%      |
| 2004 | 1,491     | 11,064      | 16%      |
| 2003 | 938       | 9,573       | 11%      |
| 2002 | 748       | 8,635       | 9%       |
| 2001 | 2,897     | 7,887       | 58%      |
| 2000 | 1,438     | 4,990       | 40%      |

**Analysis of results and challenges:** Diverse housing needs include individuals of various incomes that cannot afford home ownership and consequently rent. Increasing multi-family units in a tight rental market provides additional options to renters for safe, sanitary, and affordable housing. Multi-family housing is subject to such uncertainties as interest rate fluctuations, the state of the economy, demand, and competitive programs offered by national investors.

### A2: Strategy - Increase and sustain homeownership

**Target #1:** Increase AHFC's market share by 3%

**Measure #1:** Percent change in AHFC's market share

#### Market Share

| Fiscal Year | AHFC          | % Change      |
|-------------|---------------|---------------|
| FY 2006     | Not Available | Not Available |
| FY 2005     | Not Available | Not Available |
| FY 2004     | 29.5%         | (22.70)%      |
| FY 2003     | 38.0%         | (10.59)%      |
| FY 2002     | 42.5%         | (12.55)%      |
| FY 2001     | 48.6%         | 13.02%        |
| FY 2000     | 43.0%         | 30.30%        |

**Analysis of results and challenges:** "Market Share" is a measure of AHFC's success in reaching the portion of the population that is eligible for the niche programs of AHFC. For example: first time-homebuyers, veterans, rural or energy efficient housing and teachers. Increasing market share helps Alaskans attain homeownership that might not otherwise be able to. Increasing market share also increases the corporation's net income.

AHFC is using the prior year's "market share" for the fiscal year as its benchmark. The market share is calculated based on the percentage of loans AHFC has out of the total number loans reported in AHFC's annual survey of Alaskan lenders.

**A3: Strategy - Increase special-needs housing****Target #1:** Increase Senior Housing units by 10%**Measure #1:** Percent change in Senior Housing units**Senior Housing Units**

| Fiscal Year | New Senior Units | Total Senior Units | % Change |
|-------------|------------------|--------------------|----------|
| FY 2006     | 42               | 730                | 6%       |
| FY 2005     | 25               | 688                | 4%       |
| FY 2004     | 64               | 663                | 11%      |
| FY 2003     | 144              | 599                | 32%      |
| FY 2002     | 88               | 455                | 24%      |
| FY 2001     | 24               | 367                | 7%       |

**Analysis of results and challenges:** Seniors are the fastest growing segment of the population. The number of units added each year depends largely on AHFC's annual Capital budget appropriation. The gap between the need and what is developed grows each year. The number of persons with mental and physical disabilities has also been increasing over time. Senior and special needs housing remains a high priority for the Corporation.

**B: Result - Improve the Corporation's strength and ability to increase housing programs and service:****Target #1:** Maintain the rating of "High Performer" on the Public Housing Assessment System (PHAS) score**Measure #1:** PHAS score and rating**PHAS Score**

| Fiscal Year | YTD Total | Target | Grade              |
|-------------|-----------|--------|--------------------|
| FY 2006     | 100%      | 100%   | High Performer     |
| FY 2005     | 87%       | 100%   | Standard Performer |
| FY 2004     | 100%      | 100%   | High Performer     |
| FY 2003     | 94%       | 100%   | High Performer     |
| FY 2002     | 92%       | 100%   | High Performer     |
| FY 2001     | 94%       | 100%   | High Performer     |

**Analysis of results and challenges:** Analysis of results and challenges: AHFC is using HUD's Public Housing Assessment System (PHAS) rating (with four indicators) as its benchmark. Prior to PHAS, the system was the Public Housing Management Assessment Program (PHMAP) (with eight indicators). The PHAS rating system uses third party assessors with little input by the Public Housing Authorities, while the PHMAP system was calculated by the Public Housing Authorities and verified by the local HUD office.

PHAS indicators and point values are:

- Physical Condition - 30.0 points possible
- Financial Condition - 30.0 points possible
- Management Operations - 30.0 points possible
- Resident Satisfaction - 10.0 points possible

100 total points possible

90-100% = High Performer

60-89% = Standard

0-60% = Troubled

**Target #2:** Maintain AHFC's bond rating

**Measure #2:** Bond ratings

**Standard & Poor's Bond Rating**

| Fiscal Year | YTD Total | Target |
|-------------|-----------|--------|
| FY 2006     | AA        | AA     |
| FY 2005     | AA        | AA     |
| FY 2004     | AA        | AA     |
| FY 2003     | AA        | AA     |
| FY 2002     | AA-       | AA     |
| FY 2001     | AA-       | AA     |

**Analysis of results and challenges:** The Corporation is the largest debt issuer in the State of Alaska. Ratings changes and other market events that affect AHFC will likely impact other issuers within the State as they access capital markets for their financing needs. It is critical for Alaska that AHFC maintain its ratings and favorable market appeal.

**B1: Strategy - Manage finances to maximize AHFC's profits**

**Target #1:** Maintain or increase Adjusted Net Income

**Measure #1:** Change in Adjusted Net Income

**Adjusted Net Income**

| Year | Annual       | Change         |
|------|--------------|----------------|
| 2006 | \$81,412,900 | (\$3,446,800)  |
| 2005 | \$84,859,700 | \$7,146,200    |
| 2004 | \$77,713,000 | \$13,636,500   |
| 2003 | \$67,077,000 | (\$11,583,000) |
| 2002 | \$75,660,000 | (\$20,693,000) |
| 2001 | \$96,353,000 | \$14,551,000   |
| 2000 | \$81,802,000 | \$1,952,000    |

**Analysis of results and challenges:** AHFC is using the prior year's "Adjusted Net Income" for the fiscal year as its benchmark. The total "Adjusted Net Income" includes Corporate, Federal, and CIP income generated by all AHFC programs. The Corporation's Asset base is comprised mainly of fixed income securities—short term investments and 30 year mortgages.

**Target #2:** Maintain or increase Net Assets

**Measure #2:** Change in Net Assets

**Net Assets**

| Fiscal Year | Annual          | Change         | % Change |
|-------------|-----------------|----------------|----------|
| FY 2006     | \$1,690,032,000 | \$6,959,000    | .41%     |
| FY 2005     | \$1,683,073,000 | (\$23,386,000) | (1.39)%  |
| FY 2004     | \$1,706,459,000 | (\$31,107,000) | (1.89)%  |
| FY 2003     | \$1,737,566,000 | (\$28,244,000) | (1.63)%  |
| FY 2002     | \$1,765,810,000 | (\$7,867,000)  | (0.45)%  |
| FY 2001     | \$1,773,677,000 | \$21,322,000   | 1.20%    |
| FY 2000     | \$1,752,355,000 | (\$35,680,000) | (2.04)%  |

**Analysis of results and challenges:** AHFC is using the prior year's "Net Assets" for the fiscal year as its benchmark. This is a major indicator of the Corporation's financial strength. During FY03, the Corporation worked with the Administration and the Legislature to pass a bill continuing the Transfer Plan. The modification

made through HB256 is allowing the Corporation to begin increasing its net assets because the total transfer to the State is limited to a percentage of its Adjusted Net Income.

## Component: APFC Operations

### Contribution to Department's Mission

The mission of the Alaska Permanent Fund Corporation is to maximize the value of the Permanent Fund within return objectives.

### Core Services

- Investment management for Fund assets
- Provide public information on Fund activities and issues

| End Results  | Strategies to Achieve Results  |
|--|--|
| <b>A: Maximize the value of the Fund</b><br><br><u>Target #1:</u> A long-term 5% real rate of return<br><u>Measure #1:</u> Real rate of return over time   | <b>A1: Develop and implement an asset allocation plan that minimizes the risk necessary to achieve the target return</b><br><br><u>Target #1:</u> The Fund's rate of return meets or exceeds the composite investment performance benchmark adopted by the Board<br><u>Measure #1:</u> The Fund's rate of return versus the investment performance benchmark<br><br><b>A2: Control operation and investment management expenses</b><br><br><u>Target #1:</u> APFC expenses are within the lower 25th percentile of cost to assets managed compared to similar funds<br><u>Measure #1:</u> APFC ratio of cost to assets managed compared to similar funds |
| End Results  | Strategies to Achieve Results  |
| <b>B: Provide Alaskans with complete and timely information on Fund activities and issues</b><br><br><u>Target #1:</u> Meet 100% of statutory and communication plan guidelines for disseminating information<br><u>Measure #1:</u> Percent of communication target objectives completed | <b>B1: Develop and implement an annual communications plan</b><br><br><u>Target #1:</u> Complete 100% of the tasks in the communications plan<br><u>Measure #1:</u> Percent of communications plan tasks completed   |

| Major Activities to Advance Strategies  |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Contract with external investment managers for specific expertise for stocks, bonds, and real estate</li> <li>• Internal bond portfolio management</li> <li>• Daily, monthly, quarterly, and annual performance and compliance reports</li> <li>• Renegotiate fees on an ongoing basis</li> <li>• Prepare reports, newspaper inserts and other publications</li> </ul> | <ul style="list-style-type: none"> <li>• Maintain web site and keep content up-to-date</li> <li>• Research evolving alternative investment strategies</li> <li>• Respond to media and public inquiries</li> <li>• Seek out other opportunities for public education</li> <li>• Provide a report on alternative investments</li> </ul> |



## FY2008 Resources Allocated to Achieve Results

**FY2008 Component Budget: \$9,634,400**

**Personnel:**

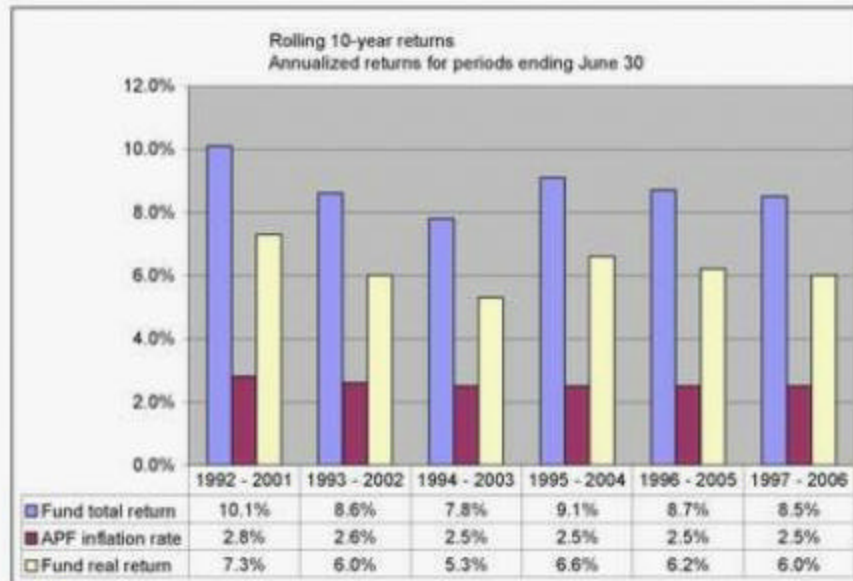
|              |           |
|--------------|-----------|
| Full time    | 34        |
| Part time    | 0         |
| <b>Total</b> | <b>34</b> |

### Performance Measure Detail

#### A: Result - Maximize the value of the Fund

**Target #1:** A long-term 5% real rate of return

**Measure #1:** Real rate of return over time



**Analysis of results and challenges:** The Fund's market value was to \$32.9 billion on 6/30/2006 (after \$689 million dividend payout), up \$2.9 billion from 6/30/2005 ending market value. The long term real rate of return for the period FY1997 - FY2006 was 6.0% and the Fund's total return for FY2006 was 11.0%.

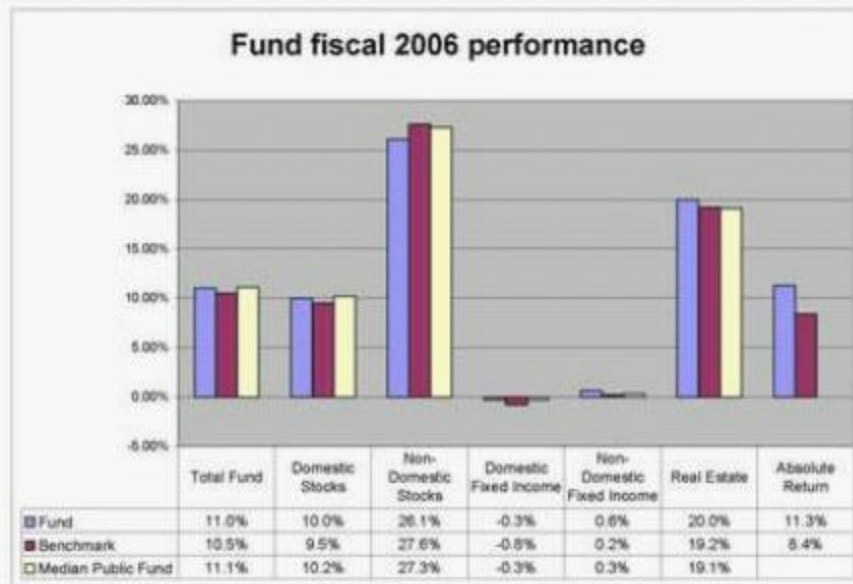
To achieve a target total rate of return, the Board of Trustees manages risk by strategically allocating the Fund among stocks, bonds, real estate, and recently, alternative investments. Different types of assets are influenced differently by factors such as the economic cycle, interest rates, inflation and fiscal policy. A mix of asset types whose returns move out of sync with one another moderates the total Fund's volatility.

Each year the Board fine-tunes its asset allocation to adjust to changes in the market environment. Its current goal is to earn about 5 percent over the rate of inflation in the long run. That means, in any 10-year period, the average real return (the return after inflation) should be around 5 percent.

## A1: Strategy - Develop and implement an asset allocation plan that minimizes the risk necessary to achieve the target return

**Target #1:** The Fund's rate of return meets or exceeds the composite investment performance benchmark adopted by the Board

**Measure #1:** The Fund's rate of return versus the investment performance benchmark



### APFC total return versus Benchmark return

| Fiscal Year | APFC Return | Benchmark |
|-------------|-------------|-----------|
| FY 2001     | -3.26%      | -4.46%    |
| FY 2002     | -2.24%      | -3.65%    |
| FY 2003     | 4.46%       | 4.80%     |
| FY 2004     | 14.2%       | 14.1%     |
| FY 2005     | 10.4%       | 10.5%     |
| FY 2006     | 11.0%       | 10.5%     |

**Analysis of results and challenges:** Experts agree that over 90% of performance (return) is attributable to the asset allocation decision. We anticipate evaluating expanded asset class opportunities in the future with the goal of increasing total return and further diversifying the funds asset mix.

**A2: Strategy - Control operation and investment management expenses**

**Target #1:** APFC expenses are within the lower 25th percentile of cost to assets managed compared to similar funds

**Measure #1:** APFC ratio of cost to assets managed compared to similar funds

**APFC ratio of cost to assets compared to similar funds**

| Fiscal Year |                           | APFC | Median |
|-------------|---------------------------|------|--------|
| FY 2006     | Equities-Domestic         | .23% | .34%   |
| FY 2006     | Equities-Non Domestic     | .23% | .45%   |
| FY 2006     | Fixed Income-Domestic     | .02% | .17%   |
| FY 2006     | Fixed Income-Non Domestic | .18% | .26%   |

**Analysis of results and challenges:** Survey data as of 12/31/2001 for other funds greater than \$10 billion. Survey does not include expenses for managing Real Estate. APFC used Callan Associates Inc. 2002 Fund Sponsor Cost of Doing Business Survey for this comparison. This survey is only produced every few years and is the only one that compares funds that are similar in size.

APFC FY06 total fund cost was approximately .17%. That equates to 17 cents for every \$100 of fund value. Other large institutional fund expenses were approximately 28.2 cents for every \$100 dollars of fund value in 2001.

Expenses and operational efficiencies have a direct effect on returns over time. APFC will continue to control investment expense by negotiating appropriate fee structures and looking for operational efficiencies.

**B: Result - Provide Alaskans with complete and timely information on Fund activities and issues**

**Target #1:** Meet 100% of statutory and communication plan guidelines for disseminating information

**Measure #1:** Percent of communication target objectives completed

| Fiscal Year | % of tasks completed |
|-------------|----------------------|
| FY 2002     | NA                   |
| FY 2003     | NA                   |
| FY 2004     | 100%                 |
| FY 2005     | 100%                 |
| FY 2006     | 100%                 |

**Analysis of results and challenges:** The Board and staff believe it is critical to practice good corporate governance by holding ourselves accountable to the people of Alaska. We believe that it is critical to be as clear and open as possible regarding decisions made and the resulting Fund performance.

**B1: Strategy - Develop and implement an annual communications plan**

**Target #1:** Complete 100% of the tasks in the communications plan

**Measure #1:** Percent of communications plan tasks completed

| Fiscal Year | % of tasks completed |
|-------------|----------------------|
| FY 2004     | 100 %                |
| FY 2005     | 100 %                |
| FY 2006     | 100 %                |

**Analysis of results and challenges:** APF is a public fund with high visibility and importance to Alaskans. The Corporation must be accountable and maintain the public trust by communicating to Alaskans effectively and efficiently. We expect that the communication plan will include additional outreach as the Corporation provides information for constitutional amendment on Percent of Market Value (POMV).